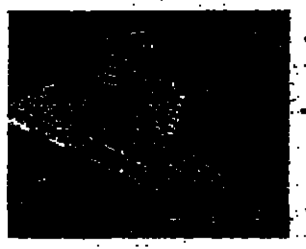
FINANCIAL TIMES

Baltic dilemma
A new strategy for security
Page 2

Lost in space
Russia's rockets suffer a setback
Page 13



TOMORROW'S
Weekend FT
The birth of Mother city

Derivatives
Focus on new products
Survey, separate section

World Business Newspaper http://www.FT.com FRIDAY NOVEMBER 22 1996

Beijing warns Disney over Dalai Lama film

Beijing has warned Walt Disney that links with a Martin Scorsese film about the Dalai Lama would jeopardise the US entertainment group's ambitious expansion plans in China. Disney officials said the company had "no connections" with the production. Page 14

EU members undermine fishing cuts: European Union countries have watered down European Commission plans to reduce catches of some fish by 40 per cent and to cut the size of trawler fleets. Ministers will today consider fresh proposals for cuts. Page 2

Row over Thomson sale widens: Controversy over the sale of France's state-owned Thomson electronics group widened with the threat of a further judicial investigation of the head of the Lagardère company that is bidding to buy the Thomson-CSF defence division. Page 2

Japan bank's depositors reassured: Bank of Japan governor Yasuo Matsushita reassured depositors of Hanwa Bank that their savings would not be endangered by its forced closure. Page 14 and Lex; Tokyo acts to clear financial wreckage, Page 6

Bayer chief backs single market: Manfred Schneider, chairman of Bayer, one of the world's largest chemical and drugs companies, said Europe's multiple currencies and tax borders were costing the region's industry billions of pounds. Page 2

Allianz to raise Australian stake: German insurer Allianz plans to strengthen its strategic relationship with MMI by raising its stake in the Australian insurance and financial services group from nearly 18 per cent to 38 per cent at a cost of A$100m ($79m). Page 15

Ulster bomb defused: British army experts defused a 600lb bomb outside police headquarters in Londonderry.

Five compete for telecoms project: OTE, Greece's state-owned telecommunications company, is examining offers from five international operators shortlisted to help launch Greece's third mobile telephone network. Page 15

Glaxo to buy out Japanese venture: Glaxo Wellcome, the world's largest pharmaceuticals company, is to take full control of its Japanese joint venture Nippon Glaxo for Y66bn ($595m). Page 15; Lex, Page 14

39 die in Hong Kong blaze: Fire swept through a 16-floor shop and office block in a Hong Kong tourist district, killing at least 39 people and injuring many others in the territory's worst building blaze on record. Page 6

Apec moves to increase membership: The Asia Pacific Economic Co-operation forum took the first steps towards enlarging the 18-member grouping to include up to 10 Asian and Latin American countries and possibly Russia. Page 5

South Africa raises bank rate to 17%: The South African Reserve Bank raised its bank rate by 1 point to 17 per cent because of the "serious threat" of worsening inflation. Page 7

Sharp rise in raisin prices: The price of Californian raisins has risen sharply because of a poor crop. Britons will bear the brunt of the rise because they consume more dried fruit than anyone else in the world. Page 14

De Kooning picture fetches $15.6m: Willem de Kooning's painting "Woman" sold for $15.6m at Christie's in New York, the highest price paid for a work of art at auction this year. Page 4

FT.com: the FT web site provides online news, comment and analysis at http://www.FT.com

STOCK MARKET INDICES

New York: lunchtime		
Dow Jones Ind Av	6,409.15	(-20.87)
NASDAQ Composite	1,258.51	(-6.43)
Europe and Far East		
CAC40	2,233.57	(+0.18)
DAX	2,772.34	(-2.16)
FTSE 100	3,953.8	(-9.0)
Nikkei	21,143.34	(-46.62)

US LUNCHTIME RATES

Federal Funds	5¼%
3-mth Treas Bills: Yld	5.145%
Long Bond	101$\frac{3}{16}$
Yield	6.396%

OTHER RATES

UK: 3-mo Interbank	6⅜%	(same)
UK: 10 yr Gilt	100$\frac{1}{32}$	(99$\frac{29}{32}$)
France: 10 yr OAT	104.80	(104.92)
Germany: 10 yr Bund	102.87	(same)
Japan: 10 yr JGB	102.5321	(102.829)

NORTH SEA OIL (Argus)

Brent Dated	$22.845	(23.325)

GOLD

New York: Comex		
(Dec)	$376.5	(379.0)
London:		
close	$376.25	(379.2)

DOLLAR

New York: lunchtime		
£	1.688	
DM	1.49875	
FFr	5.0611	
SFr	1.267	
Y	111.42	
London:		
£	1.6899	(1.6773)
DM	1.499	(1.4977)
FFr	5.080	(5.0656)
SFr	1.2687	(1.2659)
Y	111.32	(111.17)
Tokyo close:	Y 111.80	

STERLING

DM	2.5330	(2.512)

Albania	LEK 275	Gibraltar	£0.75	Lithuania	Lts 18.00	Qatar	QR15.00		
Austria	Sch37	Greece	Dr400	Lux	LFr75	S.Arabia	SR13		
Bahrain	Din1.300	Hong Kong	HK$20	Malta	Lm0.70	Singapore	S$4.30		
Belgium	BFr75	Hungary	Ft270	Morocco	MDh18	Slovak Rp	Sk75		
Cyprus	C£1.30	Iceland	IKr260	Neth	Fl 4.75	S. Africa	R12.00		
Czech Rp	Kc70	India	Rs75	Nigeria	Naira125	Spain	Pta250		
Denmark	DKr20	Israel	Shk9.00	Norway	NKr22.00	Sweden	SKr20		
Egypt	E£5.00	Italy	L3200	Oman	OR1.75	Switz	SFr3.70		
Estonia	EKr 28	Japan	Y500	Pakistan	Rs50	Syria	S£80.00		
Finland	FM18.00	Jordan	JD1.75	Poland	Zl 6.00	Tunisia	Din2.000		
France	FFr12.00	Kuwait	Fils.750	Portugal (m'land)	Es265	Turkey	L120,000		
Germany	DM4.00	Lebanon	LL3500			UAE	Dh13.00		

Rival manufacturers lose out as US carrier agrees for the supply of 600 aircraft

American Airlines in Boeing deal

By Michael Skapinker, Aerospace Correspondent

American Airlines yesterday announced that Boeing of the US would be its exclusive aircraft supplier until 2008, providing the carrier with more than 600 aircraft.

This marks a significant departure from airlines' usual practice of inviting bids from several manufacturers to obtain lower prices.

Instead, American has obtained substantial price concessions from Boeing in return for an undertaking not to buy aircraft from rivals such as Airbus Industrie, the European consortium, or McDonnell Douglas of the US.

Mr Robert Crandall, American's chairman, said: "Our new partnership with Boeing is a completely new way of doing business. It gives American a unique way to replace its existing fleet with great flexibility and at fully competitive prices. In return, Boeing obtains a long-term agreement."

The airline has made the deal with Boeing contingent on American's pilots agreeing to a new six-year contract. Mr Crandall has often expressed exasperation over the power of the pilots' union.

American has placed orders with Boeing for 103 aircraft, with list prices of $6.5bn but it is likely to have negotiated lower prices. The order includes 12 777s, Boeing's newest twin-engined, wide-bodied aircraft. American has also placed orders for Boeing 767s, 757s and 737s.

The airline has obtained "purchase rights" for an additional 527 jets over the next 20 years. Mr Crandall said these differed from the usual options which have to be exercised two to three years before the aircraft are delivered.

However, American will be able to place its additional orders, at pre-determined prices, 15 months before it needs narrow-bodied aircraft and 18 months before it requires wide-bodied aircraft.

By doing so, it hopes to avoid a long-standing problem in the industry – that of airlines ordering aircraft when business is strong and having to take delivery several years later when passenger numbers have fallen.

Mr Christopher Tarry, aviation analyst at Kleinwort Benson in London, said he thought other carriers would attempt to reach similar arrangements but that only large airlines were likely to succeed. "You've got to have the same weight and muscle that American have," he said.

American, which carried more passengers last year than any airline except Delta of the US, has bought aircraft from Boeing, Airbus and McDonnell Douglas in the past. It said that buying exclusively from Boeing would give it a more uniform fleet, leading to lower costs.

The decision also ensures greater uniformity with British Airways, with which American has announced an alliance. BA has a predominantly Boeing fleet and the two airlines want to co-ordinate their

Continued on Page 7

Russia raises $1bn as bond issue takes off

By Conner Middelmann in London and John Thornhill in Moscow

Russia yesterday raised $1bn in the bond markets, double the amount it originally thought it could raise, in its first international issue since the 1917 Bolshevik revolution.

The issue was heavily oversubscribed – after an international marketing push – which led the Russian government to increase its offering from the originally planned $300m to $500m. Investors submitted bids in excess of $2bn.

Mr Victor Chernomyrdin, prime minister, said investor interest exceeded expectations and reflected the trust international investors had in Russia.

"The market is ready to take our bonds in greater numbers than we had initially planned," he said. "This means we are joining the most demanding ranks of the international financial market."

The success of the issue will clear the way for several municipal authorities which hope to tap international capital markets. Moscow, St Petersburg and Nizhny Novgorod are expected to issue eurobonds in the near future.

Some of the country's biggest companies are also potential borrowers. Gazprom, the world's biggest gas producer, which raised $429m through an equity placing in October, is planning a $500m eurobond issue. Lukoil, Russia's biggest oil producer, could follow suit.

Mr Paul Luke, head of emerging markets research at Deutsche Morgan Grenfell, said the success of yesterday's issue was "a big vote of confidence in Russia by international investors".

Analysts said the bond was attractive to emerging market specialists and more general institutional investors who have not been able to buy existing domestic Russian debt instruments.

"This is a straightforward bond, which is easy to trade and can be cleared through Euroclear and Cedel," said Mr Daniel McGovern, head of emerging markets fixed income research at Merrill Lynch. The bonds are governed by English law.

The issue's success had a knock-on effect on domestic debt prices. Finance ministry bonds rose ¾ point while Vnesheconombank loans rose ½.

JP Morgan and SBC Warburg, the investment banks that arranged the deal, said 44 per cent of the issue was placed with investors in the US, 30 per cent in Asia and 26 per cent in Europe.

The five-year bonds pay interest of 9.25 per cent semi-annually and were offered to investors at a yield of 9.36 per cent, 345 basis points more than the yield on US Treasury notes. That spread tightened to 338 points during trading.

● Mr Yevgeny Yasin, Russia's economics minister, warned that parliament might not approve the 1997 budget before the start of next year, damaging the economy.

Bonds, page 24

Aftermath: Eurotunnel staff inspect a lorry destroyed in the Channel tunnel fire, as the full scale of the incident became clear Reuter

Deutsche Bank to move funds control

By Andrew Fisher in Frankfurt

Deutsche Bank is to transfer supervision of the UK-managed retail funds of Morgan Grenfell Asset Management to its German investment fund subsidiary, DWS, following the row over the activities of Mr Peter Young, the sacked unit trust manager.

However, the regulator of the UK fund management industry voiced concern over the plan and indicated that it might try to force the bank to reverse its decision.

In an unusual move Imro – the Investment Management Regulatory Organisation – said that it had not been consulted by Deutsche Bank. "We have yet to receive any requests from Deutsche Morgan Grenfell on this matter," said Mr Phillip Thorpe, chief executive of Imro.

Mr Tessen von Heydebreck, a director of the German bank, said the planned move would not affect the day-to-day management of the MGAM unit trusts, which would stay in London.

However, DWS would in future have ultimate responsibility for risk control, using computerised and other monitoring systems developed for its own funds. Mr Christian Strenger, head of DWS, said compliance for the UK unit trusts would have to be carried out "with a straight backbone".

Deutsche Bank had indicated that such a move was under consideration after the scandal broke in September. "There have to be clear responsibilities," said Mr von Heydebreck.

He said that the decision did not mean that Deutsche Morgan Grenfell would have "cloned versions" of DWS funds in Britain. The group wanted to take advantage of varying market trends and

Continued on Page 14

US regulator files fraud suit against Montedison

By Tracy Corrigan in New York and Robert Graham in Rome

SEC begins first civil action against a big Italian group

The US Securities and Exchange Commission yesterday filed a civil fraud case against Montedison, the first legal action by a US regulator against one of the big Italian companies tainted by the country's corruption scandals.

The action alleges that Montedison falsified its financial statements from at least 1988 to 1993 to conceal bribe payments of $400m or more.

The move shows that "the Commission is going to hold foreign issuers to the same standards of financial reporting as domestic issuers", said Mr Paul Gerlach, associate director of the SEC's enforcement division.

He declined to say whether similar suits were under consideration but emphasised that the alleged fraud, not bribery, was the reason for the action.

Montedison, a chemicals and agribusiness group, comes under the jurisdiction of the SEC because it lists its American Depositary Receipts, each representing 10 shares of its common stock, on the New York Stock Exchange. The exchange is policed by the SEC. The company has listed its ADRs since 1987.

As of May 31 1995, US residents owned about 6.1 per cent of Montedison's stock, 0.7 per cent through ADRs. Montedison is one of a dozen Italian companies with ADRs listed on the NYSE.

The complaint alleges that Montedison fraudulently misstated its financial condition in its filings to the SEC, disseminated to the public.

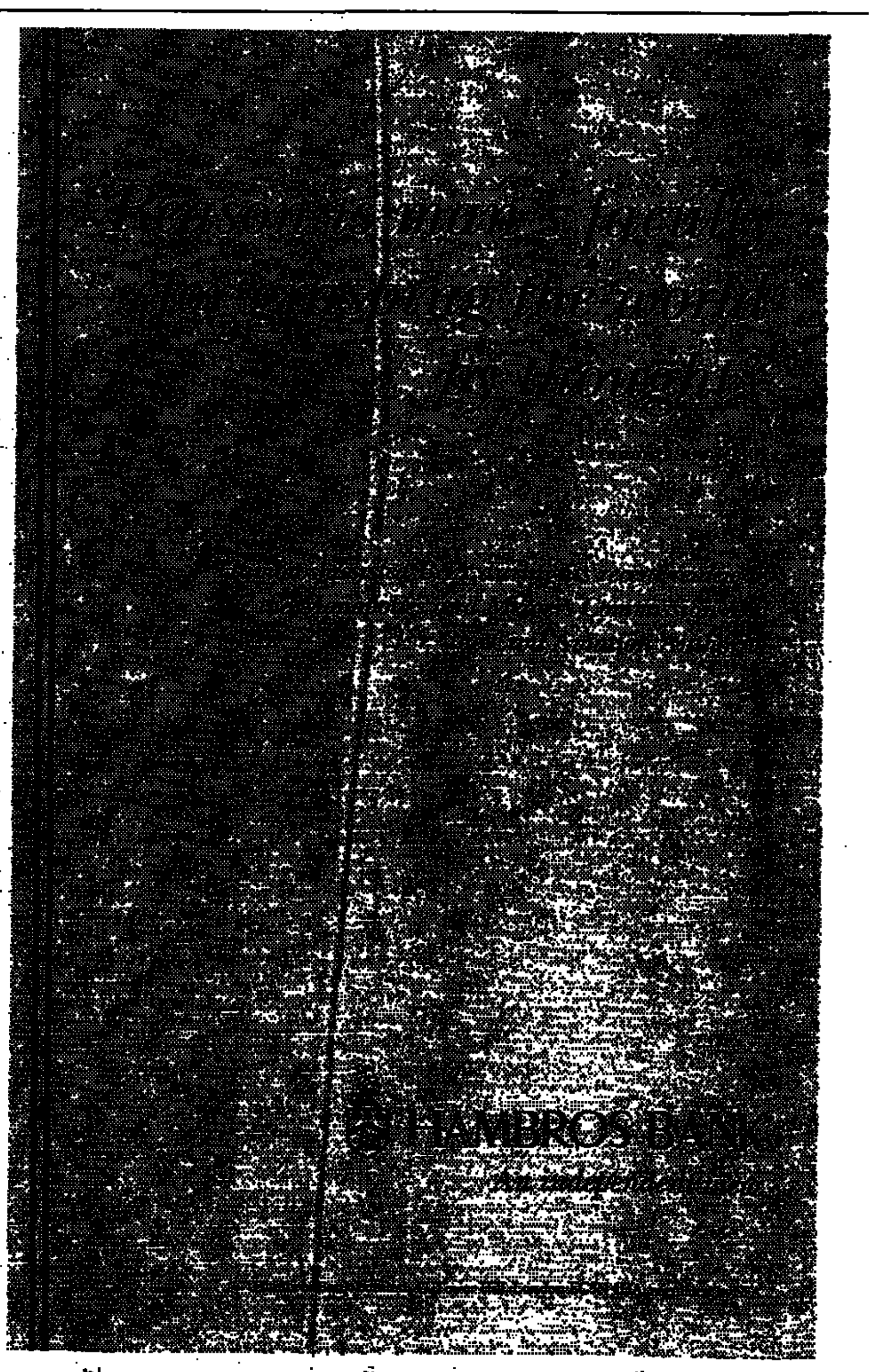
The complaint cites two examples: the "Exilar loan", an accounting entry on the company's balance sheet allegedly used to disguise bribes as a loan; and the "Enimont affair", involving the overstatement of property values to disguise bribes.

The fraudulent entries resulted in writedowns totalling around $400m in 1992 and 1993, the SEC claims.

The company is also charged with violating the corporate reporting, books and records and internal control provisions of the Securities Exchange Act of 1934.

In a civil suit of this nature the SEC can seek fines of up to $500,000 for each breach of the exchange act. Mr Gerlach said that in this case the alleged breaches were multiple. No individuals are named in the case, which seeks restitution from the company itself.

Montedison's problems relate to the 1993 collapse of the Ferruzzi family's business empire, which was a product of the aggressive management of the late Mr Raul Gardini during the 1980s.



CONTENTS

LONDON · LEEDS · PARIS · FRANKFURT · STOCKHOLM · MADRID · NEW YORK · LOS ANGELES · TOKYO · HONG KONG

Controversy widens over sale by French state of Thomson electronics group

Lagardère may face further inquiry

By David Buchan in Paris

The controversy over the sale of France's state-owned Thomson electronics group widened yesterday, with the threat of a further judicial investigation of the head of the Lagardère company that is bidding to buy the Thomson-CSF defence division.

The threat comes against a background of demonstrations in Paris and several other cities this week by several thousand employees of Thomson Multimedia. They were protesting about the government-approved plan for Lagardère to sell their company's consumer electronics business on to Daewoo of South Korea.

Mrs Eva Joly, a leading investigating magistrate of financial cases, yesterday decided to follow up a complaint against Mr Jean-Luc Lagardère, chairman and chief of executive of the conglomerate that bears his name, relating to the terms by which the Lagardère group was formed out of the 1992 merger of Matra and Hachette.

Mrs Joly may face an appeal against her action from the Paris public prosecutor, who earlier decided Mr Lagardère should not be tried for the same alleged offence twice. The complaint has been filed by one of the minority Matra shareholders whose similar civil case was thrown out by an appeal court last January.

The Matra shareholders alleged that, in the merger share swap, they did not receive enough Hachette shares because Mr Lagardère used the excuse of defence secrecy to conceal the size of his 1992 missile contract with Taiwan.

Last night, Lagardère said it was suing two of the shareholders for "attempted extortion".

Last month, another magistrate opened an investigation into another complaint by a Lagardère minority shareholder. This alleged Mr Lagardère's practice of taking 0.2 per cent of his group's FFr50bn ($10bn) annual turnover as a management fee for himself and close associates constituted misuse of corporate funds.

Despite mounting pressure of different kinds on Lagardère and its Korean ally, they still seem to have the support of the government, particularly of Mr Alain Juppé, the prime minister. The latter announced on October 16 that Lagardère-Daewoo rather than Alcatel, the French telecommunications group, was the preferred bidder for Thomson.

However, three further stages still remain in the privatisation that was launched by President Jacques Chirac in February. The European Commission has to vet the FFr11bn state recapitalisation of Thomson that is to accompany the sale, the government's privatisation committee has to give its view on the choice of Lagardère over Alcatel, and the government has promised a National Assembly debate on the sale.

Because the sale is still being considered by the privatisation committee, financial details have not been released. However, critics of the Thomson sale argue the state is paying too much to reduce the group's debts.

They also believe that Lagardère – which will be able to raise as much as FFr8bn from Thomson-CSF's stakes in SGS-Thomson and Crédit Lyonnais – is paying too little, and that at least the Multimedia sale should be delayed.

They claim Daewoo plunders other companies' inventions, and will do the same with Multimedia which in 1999 is due to receive FFr1bn a year in licensing fees from General Electric.

Bayer chief condemns failure to create single EU market

By Jenny Luesby in London

The chairman of Bayer, one of the world's largest chemical and drugs companies, said yesterday that Europe's multiple currencies and tax borders were costing the region's industry billions of pounds a year.

Addressing the UK's Chemicals Industries Association in London last night, Mr Manfred Schneider said the failure to create a single market in Europe amounted to a serious handicap for the chemicals industry.

The cost to Bayer, alone, was between DM30m ($20m) and DM50m a year, he said in an earlier interview. A single currency was essential, and should be introduced no later than January 1 1999. "We believe the advantages will be so great, we cannot risk missing even one month after that," he said.

However, it was not just the timing that was of critical concern for European business. "The number of countries adopting the currency must be as high as possible. It will make little sense if France, Luxembourg and Germany are the only three."

Economic integration across Europe, could not be put off any longer, he said. "The structures of the European chemical industry are still characterised by national borders, throwbacks to the days when it made sense to tailor plants to the needs of domestic markets."

This had led to losses in economies of scale and disadvantages in costs, compared to both the US and Asia. The delay in making the single market a reality was now hindering a much needed consolidation of the European industry to eliminate these handicaps.

For all these reasons, it was important that Britain join the currency union as soon as possible, and play an active part in the integration of the internal market.

The German group's British company, Bayer plc, last year achieved sales totalling nearly £900m ($540m) at 11 UK sites. But Britain's importance to the Union was more political than economic, said Mr Schneider.

"In Britain, the tradition of liberal, free market structures and attitudes goes deeper than it does on the Continent," he said. "The crisis in the modern welfare state, with its ever increasing manipulation and intervention, was recognised and tackled in the UK earlier than in most other European countries."

Full British participation in a single European market would provide "a guarantor that protectionist tendencies, which certainly exist, do not gain the upper hand".

Mr Jacques Santer, the European Commission president, yesterday expressed confidence that EU leaders would agree at their summit in Dublin next month the stability pact governing members of the proposed single currency and the new exchange rate mechanism for aspiring members, writes William Hall in Vienna. Pictured above (left) with the premiers of Denmark and Austria at a meeting in Vienna on monetary union, he also said member states should not think they could let their budget deficits slip after 1997. Countries whose budgets achieved the Maastricht target would have to make sure they remained that way. Picture: Reuter

Baltics may have to take 'second best'

Security strategy short of full Nato membership takes shape

For months, one of the most awkward security dilemmas facing big power policy-makers has been what to do about the three tiny nations of Estonia, Latvia and Lithuania, which perch on the south-eastern shore of the Baltic Sea next door to Russia.

Today, the outlines of a strategy to tackle the issue appear to be emerging.

The three countries, occupied by the Soviet Union until the end of the cold war, want to join Nato as the ultimate guarantee of their independence and security.

Russia, which is against Nato enlargement in general, is adamantly opposed to extension of the alliance to one of its most sensitive frontiers, commanding the approaches to St Petersburg.

Neighbouring Finland and Sweden – both still neutral – are nervous of the implications for stability in the Baltic/Nordic region. Nato does not want to give Russia a de facto veto, but is reluctant to take in the Baltics because of the acute sensitivities surrounding them.

Yet the issue has to be defused before Nato can proceed with its plans next year to begin the process of welcoming new eastern and central European members.

"If mishandled, the Baltic issue has the potential to develop into the proverbial train wreck which could derail Nato enlargement, redraw the security map in northern Europe, as well as poison the west's attempts to develop co-operative relations with Russia," wrote Mr Ronald Asmus and Mr Robert Nurick of the US think-tank, the Rand Corporation, in a recent paper.

At a conference in Stockholm this week, co-hosted by the US embassy and the Swedish Institute of International Affairs, an attempt was made to plot a track for the Baltics which avoids that threatened "wreck".

The immediate bad news for the Baltics was that they would not be among the first countries to be included in Nato enlargement. That is likely to encompass Poland, the Czech Republic and Hungary.

Mr Robert Hunter, the US ambassador to Nato, did not say so explicitly, but the message was clear in his references to the importance of keeping the door open to those rejected at the first attempt.

It was left to the Danish delegate to spell out that it was now "hardly realistic" for the Baltics to enter in the first round.

However, the US and its European allies will not leave the issue at that. Much as outlined in the Asmus/Nurick paper, several key elements were canvassed to compensate the Baltic states.

One is to emphasise that ultimate Nato membership is not ruled out. Mr Volker Rühe, the German defence minister, told the FT this week that Nato would not accede to Russian demands for a permanent block.

Mr Hunter put it this way: "The US is fully committed to the independence and security of these countries and to helping to move them forward to full integration in western institutions, including Nato."

In the meantime, the Baltic states would be offered full participation in an enhanced Partnership for Peace, Nato's military co-operation network. Baltic troops, helped by Denmark, already contribute to the Nato-led operation in Bosnia. So-called "super-PFP" could include almost all aspects of Nato membership, short of the vital Article Five of the treaty pledging mutual defence in the face of armed attack, Mr Hunter said.

A second element is enhanced regional co-operation. Denmark, Sweden and Finland have been active in seeking to deepen relations around the Baltic basin, including Russia, in a range of areas from trade to crime-fighting.

Third, the Nordic countries and, increasingly, the US are championing the three Baltic countries in their parallel attempt to join the European Union. Russia has no objection to this, but joining the EU, the continent's leading political and economic institution, carries with it an implied enhancement of security.

> The three states want to join Nato as the ultimate guarantee of their independence and security

This second-prize strategy has serious flaws. For a start, Estonia, Latvia and Lithuania themselves are not happy about it. Mr Juri Luik, the Estonian ambassador in Brussels, told the conference that making the Baltics "wait somewhere in the queue" showed the alliance was bowing to pressure from Moscow.

Mr Maris Riekstins, state secretary at the Latvian foreign ministry, said Nato exclusion "could trigger domestic instability and fragmentation of the Baltic region". Mr Vygaudas Usackas, his counterpart from Lithuania, added that EU membership should not be touted as an alternative to Nato.

There remains, in any case, a big question mark over Baltic entry to the Union. Its timetable for enlargement may lag behind that of Nato: winning agreement from all the EU partners to take at least one Baltic state in the next round of enlargement is far from assured.

The Baltics – and their Nordic neighbours – fear a dangerous vacuum could be created if the three countries are left adrift with neither Nato or EU membership in near view. In that case, the emerging "second-prize" strategy would have failed.

Hugh Carnegy

EU enlargement is focus of special session tomorrow

Brussels seeks to point way

By Lionel Barber in Brussels

The European Commission holds a brainstorming session on EU enlargement tomorrow, damping criticism that it is moving too slowly to prepare for the accession of former Communist countries of central and eastern Europe.

Commissioners will discuss reform of the common agricultural policy, the financial costs of enlargement, and security issues linked to the extension of the EU's eastern border and the parallel process of Nato enlargement to former Warsaw Pact countries.

The meeting is also the first opportunity to consider the implications of the election in Malta, whose new Labour government has shelved plans to join the EU.

Malta's withdrawal relieves pressure on the present 15 Union members to change their institutions and decision-making to cope with the entry of a micro-state. It is also likely to hurt Cyprus's bid for early accession.

Under Greek pressure, Cyprus and Malta had secured a promise from the EU that their applications for membership would be considered six months after the end of the intergovernmental conference to review the Maastricht treaty. Many criticised the linkage as artificial because Cyprus remains divided between the Greek and Turkish communities and no political settlement is in sight.

Attention is now moving away from the EU's southern flank to the 10 applicants from central and eastern Europe.

Diplomats believe the strongest candidates are the Czech Republic, Poland, and Hungary, and possibly Estonia or Slovenia. Slovakia, Lithuania, Latvia, Bulgaria and Romania appear destined for the second or third wave of new members.

The Commission has sent questionnaires to all applicants dealing with the economic challenge of joining the single market and the political obligations of membership. The replies have revealed serious deficiencies in public administration, agricultural reform, environmental standards, and telecommunications, a Brussels official said.

The Commission will produce opinions on each country's application as soon as the IGC is over, most likely between June and October. It will also produce policy documents on the reform of the CAP and EU regional aid to cope with the adhesion of the poorer, farm intensive economies of the east.

After that, EU leaders must decide whether to begin negotiations with all 10 countries and let some move ahead faster than others, or whether to select front-runners and compensate those left behind with financial aid.

The process is sensitive since each eastern applicant can count on powerful patrons in the west. Germany insists that Poland, the Czech Republic and Hungary be in the first wave. The US has joined the Scandinavians in favouring early EU entry for the Baltic states if, as seems certain, they do not join Nato in the first round.

The Commission would like to give a steer to EU leaders to avoid the selection process degenerating into horse-trading. Accession negotiations are unlikely to start until mid-1998 – after the equally sensitive political decision on which of the 15 qualify for economic and monetary union.

On this scenario, the earliest likely date for accession for the first wave of eastern applicants is 2002, according to the Commission.

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Move for large cuts in fish catches undermined

By Caroline Southey in Brussels

EU countries have watered down European Commission plans to reduce catches of some fish by 40 per cent and to cut the size of trawler fleets. Ministers will today consider fresh proposals for cuts of up to 20 per cent. The compromise, presented by Ireland which holds the presidency, also weakens any commitment to reducing fleets.

Resistance has been fierce to the original proposals from Ms Emma Bonino, the fisheries commissioner. Ministers rejected her call for tougher measures to protect falling stocks, warning that her proposals would have disastrous economic consequences for fishing communities.

EU officials said Greece, Germany, Italy and Portugal had reacted positively to the Irish compromise; Britain, Belgium, Denmark, the Netherlands and Spain still had reservations.

The Irish proposal offers a more flexible approach to lowering catches, breaking down stocks into three categories depending on their vulnerability. Cuts in capacity would vary according to species as well as areas.

The 20 per cent reduction in effort would include fish such as mackerel and herring in the North Sea or hake around the Iberian peninsula. A 15 per cent reduction would apply to species such as haddock in the seas off Denmark. For the third category, such as plaice in the Irish Sea, member states would have to freeze any increase in fishing effort.

The proposals also weaken a commitment to cut the size of trawler fleets. Instead, member states will be free to achieve reductions in capacity through a range of measures such as reducing time at sea and smaller net sizes.

Ireland has also proposed increasing the number of trawlers excluded from the deal by raising the size of boats exempted to 10m. In addition, the deal would cover only three years to 1999 and not six as sought by the Commission.

EUROPEAN NEWS DIGEST

Kohl called to franc defence

The French government yesterday enlisted the public support of German Chancellor Helmut Kohl to stem any weakening of the franc, following the call by ex-President Valéry Giscard d'Estaing for a lower franc rate against the dollar, and therefore by implication against the D-Mark, to help the country to qualify more easily for European monetary union.

Mr Giscard d'Estaing's ostensibly pro-Emu recommendations, spelt out at length in L'Express magazine, won warm support from the leading Gaullist Eurosceptics, Mr Philippe Séguin, the National Assembly president, and Mr Charles Pasqua, a former minister. This, coupled with rumours of an imminent reshuffle of Mr Alain Juppé's government, weakened the franc, which closed down one centime on the day.

The former president flew to Bonn yesterday for a long planned meeting with Mr Kohl. Partly to minimise any implications from that meeting, Mr Juppé rang the German leader yesterday afternoon and the two issued a joint statement. This reaffirmed the Franco-German commitment to Emu and to meeting the Maastricht criteria, adding that "the current parity between the franc and the D-Mark corresponds to the overall fundamentals of the two national economies". *David Buchan, Paris*

Russian PM flies to Belarus

Russia's prime minister, Mr Victor Chernomyrdin, flew to Minsk last night to try to resolve the growing confict between the Belarusan president, Mr Alexander Lukashenko, and parliament.

Yesterday, Mr Lukashenko, whom he is scheduled to meet, reiterated his plans for Sunday's referendum on a draft constitution, defying parliament, the higher courts and the electoral commission.

"I am not going to share power with anyone," he told Interfax news agency. The draft would give him control over the other branches of government and extend his term in office until 2001.

The president's unyielding stance has made Russia and its central European neighbours anxious. The Kremlin, until this week his steadfast supporter, has called for a compromise. On Wednesday, Mr Lukashenko rebuffed a Russian mediation offer, refusing to meet Mr Chernomyrdin and Mr Seymon Sharetsky, the speaker of the Belarusan parliament. *Matthew Kaminski, Kiev*

Poll protests in Belgrade

Some 20,000 supporters of the Serbian opposition marched on parliament in Belgrade yesterday to protest at the cancellation of a number of local election results.

The main opposition coalition, known as "Together", claims the governing parties are trying to steal the election by ignoring unfavourable results or branding them as fraudulent. Demonstrators denounced what they called "red bandits" in government and President Slobodan Milosevic, whom they compared to President Saddam Hussein of Iraq.

A spokesman for the governing Socialists said opposition claims of victory in key towns were "premature" as there had been genuine irregularities in the voting. The most charismatic opposition leader, Mr Vuk Draskovic, accused the government of "state terrorism"; his wife, Danica, called on citizens to form terrorist groups. *Paul Wood, Belgrade*

■ Croatia is facing mounting international criticism of its move to close an independent radio station, while domestic opposition is encouraging wider demands for more democracy. Both the US and Britain have criticised the government's move against Radio 101. *Reuter, Zagreb*

Hungarian road toll attacked

A Hungarian court has ruled that the country's only private motorway has been charging unjustifiably high tolls, and ordered it to halve its prices.

The 43km stretch of road in north-west Hungary linking the main highways between Vienna and Budapest, was opened earlier this year but has been used less than expected. It was built at a cost of $370m by a consortium led by Transroute International, the overseas division of the French highway operator, and including Strabag, the Austrian construction company, and mainly French banks. At present the charge is Ft1,000 ($6.40), a higher rate per kilometre than toll roads elsewhere in Europe.

The consortium says that the price is higher because the state has a smaller part in the project than is usual, and that its charges are in line with its 1993 contract for the 35-year concession. *Virginia Marsh, Budapest*

Bonn 'calm' over Iran threat

The German government yesterday declared that its policy towards Iran was one of "cool-headedness and calm", in spite of reports that militant Islamic clergy had threatened public prosecutors in Berlin with death.

The cabinet yesterday discussed relations with Iran after press reports of the death threats and several days of demonstrations outside the German embassy in Tehran. The disturbances were triggered by federal public prosecutors claiming last week that Iran had been involved in the murder in Berlin in 1992 of four Kurdish-Iranian opponents of the Tehran regime.

But while officials tried to pour oil on the troubled waters, some ministers showed less patience. Mr Edzard Schmidt-Jortzig, the justice minister, angrily condemned the threats against the public prosecutors and Mr Carl-Dieter Spranger, the development aid minister, called for a rethink of German policy. *Peter Norman, Bonn*

Di Rupo case waits on report

The Belgian government faces an uncomfortable 18-day wait to discover if Mr Elio Di Rupo, deputy prime minister, will have to stand trial on paedophilia charges. Parliament voted yesterday to accept the ruling of an internal inquiry committee that the supreme court be asked to produce a more detailed report by December 9.

If he is sent for trial, he will be forced to resign, threatening the survival of the delicately balanced four-party coalition. Mr Jean-Luc Dehaene, the prime minister, speaking publicly about the matter for the first time, told parliament last night it was "premature at this stage to make political decisions and Mr Di Rupo retains my confidence". However, confidence in the government and the whole political system has already been severely undermined by a series of criminal and political scandals in recent weeks.

Both Mr Di Rupo and Mr Jean-Pierre Grafé, a regional minister in Wallonia, who has been similarly accused, deny the claims. *Neil Buckley, Brussels*

Hungary lifts energy prices

The Hungarian cabinet yesterday agreed controversial energy price rises for domestic consumers from January but was unable to settle how the increases will be divided among energy generators and distributors.

Prices of gas are to rise by 18.8 per cent and of electricity by 24.9 per cent, but officials said further adjustments were planned. They maintained the state would still be able to meet its commitment of an 8 per cent return for foreign strategic investors in the sector, in part by limiting the return of state-owned energy companies to 4 per cent.

Hungary had promised to raise energy prices to cost-reflective levels from next year and thereafter in line with inflation, and on this basis sold a large part of the industry last year to western utilities including Germany's RWE and Bayernwerk and Electricité de France. *Virginia Marsh, Budapest*

France set to approve pension bill

By David Buchan in Paris

The French National Assembly was last night set to approve a system of asset-backed private-sector pension funds to give the country's 14m salaried employees a chance to supplement the state's financially pressed pay-as-you-go scheme.

Mr Jean Arthuis, the finance minister, forecast that the new private pension funds would attract some FFr30bn ($5.9bn) of savings in their first year of operation – around only a tenth of what the French are currently pouring into life-insurance.

But the government is hoping private pension money will give a boost to the French capital markets, particularly equities.

It indicated last night its desire for MPs to direct pension companies to put no more than 60 per cent of their funds into fixed-income investments such as bonds, with the rest going into shares.

The right to create the new pension funds will be open to all financial services companies which must establish specialised subsidiaries to manage the funds.

They will be able to manage funds for individuals or for companies on behalf of employees.

Mr Arthuis said subscribers to the pension funds would on retirement be able to withdraw 20 per cent of their savings in a lump sum, up to a ceiling of FFr100,000, and up to 100 per cent in the case of illness or unemployment. Pension premiums up to 5 per cent of gross income would be free of income tax.

Yesterday's presentation to parliament of the pension fund law ends a long period of government dithering, since the coalition of the RPR Gaullists and the centre-right UDF federation won the 1993 parliamentary election.

Gaullists, in particular, felt vulnerable to the charge – repeated loudly by the Socialists yesterday – that the pension funds would undermine the state retirement scheme, and increase inequalities among pensioners.

Aim is to supplement hard-pressed state scheme

Mr François Hollande, the Socialist spokesman, also cited recent comments by the Axa and UAP insurance groups that their planned large-scale merger would help bail out the state social security system.

Eventually, the Gaullists gave the free-market liberals in the UDF, their junior coalition partner, their head, and let them draft most of the new legislation.

This also provided backbenchers in the UDF with some consolation, after the government rejected virtually all its tax-cutting amendments to the 1997 budget.

The new system will cover the 14m salaried workers in the private sector – civil servants and the independently employed already have supplementary pension funds they can subscribe to.

Zyuganov scrambles for mainstream, but can't hide his messianic inclinations

Russian mystic seeks to replace Yeltsin

Since his defeat at the hands of Mr Boris Yeltsin in the presidential election last July, Mr Gennady Zyuganov, the Communist leader, has tried to steer his hardline left-wing coalition towards Russia's political mainstream.

He has expelled a Stalinist splinter group which repelled moderate voters from his national-patriotic bloc; the Communist faction, which dominates the legislature, this summer backed the re-nomination of Mr Victor Chernomyrdin as prime minister; and a senior figure in the left-wing alliance, Mr Aman Tuliev, has even joined the Yeltsin cabinet.

But Mr Zyuganov's heart is not quite in it. He knows that to bring his party back from the edge of political extinction he must stick to unthreatening centrist policies designed to woo an electorate which has had its fill of *orthodox* communism.

He must become a sort of Slav Tony Blair – reformist leader of Britain's Labour party – willing to tear his party away from its traditional supporters to make it more attractive to the more moderate majority.

This former history teacher from the depths of provincial Russia is soldiering on, offering compromises to the government and seeking to befriend Moscow's hungry new capitalists.

But Mr Zyuganov's soul appears to thrill to an entirely different song. What he seems to enjoy most is playing the time-honoured role of Russian mystic, the prophet whose bone-deep connection with the people allows him to perceive the deepest truths.

Mr Zyuganov may want to appear a good, late 20th-century technocrat, but once in a while, the Orthodox priest in him slips out.

The two faces were on display in a recent interview.

Ensconced in the spacious dark-wood panelled offices he occupies as chairman of the largest faction in parliament, Mr Zyuganov did his best to speak the new language of moderation.

Asked if he himself wished to become president, Mr Zyuganov demurred. Instead of thinking of new elections, he said, both the government and the opposition should focus on solving Russia's current troubles. "Let us normalise the situation, let us strictly observe the laws, let us preserve the country from civil conflict, let us protect its territorial integrity," he said.

Zyuganov: communist leader thrilling to an ancient song

Talk like this has already brought Mr Zyuganov's bloc swift rewards. The Communist speaker of parliament, a Zyuganov ally, was invited to join the four-man council convened to run the country during Mr Yeltsin's illness. Communist-backed candidates, emphasising their administrative skills rather than their ideological purity, have done surprisingly well in regional elections.

Even the bankers who played a crucial role in Mr Yeltsin's re-election seem to be looking more indulgently upon the Communists.

"Zyuganov could be the next president, in fact he might even be better than Chernomyrdin or [Yuri] Luzhkov [the powerful mayor of Moscow], because he would be more malleable," an executive in the financiers' inner circle said.

Yet as he hits his conversational stride, it becomes apparent that Mr Zyuganov's real passion is not for the language of social democracy. Instead, Mr Zyuganov's preferred idiom is an altogether more idiosyncratic blend of Russian messianism and information-age jargon, a vision which lies somewhere between Rasputin and Newt Gingrich.

"The world has become too small, and if humanity does not soon find a new scheme for its future then a systemic crisis, a conflict between the impoverished south and the rich north, a geopolitical crisis triggered by the collapse of Russia – all this will bring a crisis to all international relations," Mr Zyuganov warned.

"And then there will be a planetary time of troubles: all the old conflicts, the old tensions will come back to life, the planet will be covered in ulcers, complex infrastructures, nuclear technologies will be shaken apart, all of this could create a radio-active disaster, and then we will repent and the forecasts of Nostradamus could come true."

Mr Zyuganov held out the hope that this apocalypse could be averted by bold, creative political leadership. Next to the slick public relations machine which brought Mr Yeltsin back into the Kremlin and is putting an upbeat spin on his heart surgery, Mr Zyuganov's uncensored ramblings seem outgunned. That is why the younger, brighter operatives in the party appear to be trying to sharpen up the Communists' act.

But their leader seems ambivalent about abandoning Slavic stream-of-consciousness for sound bites. As he proudly explains in a new book, Russia My Homeland, Russia's strength has always been its mystics, not its rationalists: "One thousand years of our history has incontrovertibly shown that we are a people of idealists, a people of dreamers, a people of victors."

Chrystia Freeland

German growth gloom deepens

By Ralph Atkins in Bonn

Gloom about Germany's economic outlook mounted yesterday as fresh evidence emerged to suggest government hopes of a 2.5 per cent growth rate next year might prove over-ambitious.

Reports by the central organisation for German craft industries (ZDH), representing small, mainly family businesses, and by the Munich-based Ifo economic research institute painted a picture of falling employment and stagnant investment spending.

The federal statistical office said retailers' turnover in September was 3 per cent lower than the same month a year before – although it was 1 per cent higher than in August after calendar and seasonal adjustments.

The statistical office also reported a 17.1 per cent increase in corporate bankruptcies in the first eight months of the year, compared with the same period in 1995.

The figures were 36.7 per cent higher in the former east Germany and 10.6 per cent higher in west Germany.

At ZDH, Mr Hanns-Eberhard Schleyer, general secretary, said small businesses were being hit hard by the cuts in local and federal spending as part of the effort to meet Maastricht criteria for economic and monetary union.

Mr Schleyer described as "a sad negative record" his association's finding that only 3 per cent of members surveyed wanted to take on more staff in the last three months of the year.

Some 29 per cent of west German craft companies responding to the autumn survey said their business had deteriorated, against 22 per cent a year ago. Overall, the ZDH forecast no growth in the small business sector next year.

The Ifo institute survey of 2,000 larger west German manufacturers forecast investment next year would remain at 1996 levels in nominal terms, or decline by about 1 per cent in real terms.

The IFO also predicted 1996 spending by west German construction companies on buildings and equipment would be 20 per cent lower than last year.

Italian treasury cleared to buy Stet

By Robert Graham in Rome

Italy's centre-left government yesterday authorised the immediate transfer to the treasury of the 62 per cent stake in Stet, the telecoms group, held by Iri, the state holding company.

The cost of the treasury purchase is likely to be approximately L12,000bn ($7.94bn).

The payment, which needs to be finalised quickly for inclusion in Iri's 1996 accounts, will help cancel part of the L24,000bn of outstanding debt, which the state holding company is obliged to reduce to honour a 1993 agreement with the European Commission.

The move had been widely expected following the Italian government decision this month to postpone the privatisation of Stet from February/March next year until the autumn of 1997 because of parliament's failure to approve a telecoms regulatory authority in time.

This not only left Italy in breach of the EU agreement, but also left Iri in need of fresh capital because expected losses of L3,000bn for 1996 brought the capital/assets ratio below statutory requirements.

Mr Karel Van Miert, the EU competition commissioner, made it clear at a meeting with Mr Carlo Azeglio Ciampi, the Italian treasury minister, in Brussels on November 11 that postponement of the Stet privatisation would be acceptable only if the group was transferred to the treasury.

● John Simkins in Milan adds: The privatisation of Seat, the profitable yellow pages unit of Stet, moved a step closer yesterday when Iri appointed S.B.C. Warburg to advise on the valuation of its 61.27 per cent of Seat's ordinary shares and 0.93 per cent of savings shares.

Twenty-six groups – 11 industrial concerns and 15 financial institutions – have expressed interest in buying Iri's stake. The successful bidder will be obliged to make a public offer for the remainder.

The current capitalisation of Seat as estimated by Consob, the stock market authority, is L3,242bn.

Bank regulator gives Congress a jolt

John Authers on the likely effects of this week's finance industry reforms

Capitol Hill's quest to reform the antiquated US financial services system entered a new phase this week as a federal regulator administered a sharp jolt to squabbling congressional leaders.

Mr Eugene Ludwig, the Comptroller of the Currency and regulator of about a third of US banks, announced on Wednesday that he would allow banks to set up arm's-length subsidiaries dealing in activities such as securities, insurance and leasing. It is a significant step in dismantling the restrictions on banks' activities made by the 1933 Glass-Steagall Act.

But it will not stop the drive in Congress for more comprehensive reform. And it looked yesterday as if its main impact might be to change the focus away from Glass-Steagall and its restrictions on banks, which have dominated debate for more than a decade.

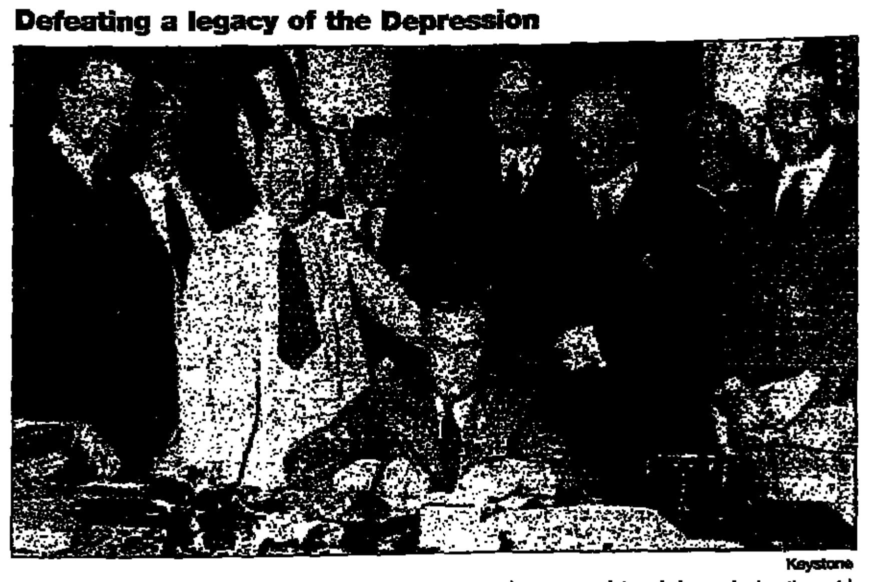
Instead it could give extra force to the efforts by the insurance and securities industries to be allowed access to banking, and to moves to update the rules covering federal guarantees of the deposit system.

Mr Bert Ely, an influential Washington banking consultant, said: "I think the second domino to fall in the process is that non-banks will come back to Congress, and they are going to ask to be able to move straight into the banking industry. And the third domino is that a whole range of federal safety net issues will be forced to the table."

Mr Ludwig himself suggested that attempts to modernise US financial services should not concentrate on Glass-Steagall, but deal with the complicated issues raised by technology, such as the protection to be given to "electronic cash" products offered on-line, and public confidence in the banks' payment system.

He said: "Glass-Steagall reform would be a good thing for those banks seeking to enter more deeply into the securities business. But to say that passing Glass-Steagall reform would modernise the financial system is like saying that ploughing one lane on Massachusetts Avenue completed Washington's snow removal effort."

Defeating a legacy of the Depression



Keystone

The separation of commercial and investment banking in the US has been steadily eroded since the 1980s through changes in banking regulation. However, moves to repeal or amend Depression-era legislation limiting the ability of banks to underwrite and trade securities have failed. President Franklin D. Roosevelt is pictured above signing the act in June 1933, flanked by the legislation's sponsors, Senator Carter Glass (on his right) and Representative Henry Steagall.

1989
- Federal Reserve gives banks powers to underwrite and trade in securities through separate subsidiaries. Business restricted to 5 per cent of these units' revenues (later raised to 10 per cent).

1991
- Treasury secretary Nicholas Brady proposes broad overhaul of banking legislation.
- Bill dies after opposition from insurance and securities companies.

1994
- Republicans take control of Congress with promise to reduce unnecessary regulation on business. Comptroller of the currency Eugene Ludwig says he is considering deregulation to allow some banks much broader powers.

1995
- House banking committee chairman James Leach introduces bill to repeal Glass-Steagall Act.

1996
- Banks win Supreme Court victory in battle to sell insurance.
- After opposition from insurance agents, Leach bill abandoned.
- Federal Reserve proposes to lift revenue ceiling on banks' securities subsidiaries from 10 per cent to 25 per cent.
- Ludwig adopts rule changes proposed two years before.

His rules seem likely to survive challenges intact, despite implicit criticism from the Federal Reserve, which regulates most US banks. Mr Laurence Meyer, a Fed board governor, said yesterday that the best way to provide "reasonable insulation" of banks from non-banking risks "is by placing new activities in holding company subsidiaries, rather than in the bank itself or its subsidiaries".

The new rules affect the 2,800 "national" banks regulated by the office of the comptroller, which is a branch of the US Treasury. These include most of the larger regional retail banks, although not the "money centres" such as Chase Manhattan and Bankers Trust, and account for about half of the nation's banking assets.

The main impact may be to shift the focus to curbs on the securities and insurance industries

It is unclear how many banks will apply to start new operating subsidiaries, but the main beneficiaries are likely to be the smaller "*community*" *banks, whose* independence has been coming under increasing threat from the growing *acquisitive* regional banks.

Banks can already enter a range of non-banking activities, but they can only do so by setting up a complex holding company structure, which is prohibitively expensive for community banks. The new rules should make it much easier for the stronger small banks to bolster their position by offering a more comprehensive service.

Republican leaders in both the Senate and the House of Representatives reacted *angrily to the announcement*, criticising it for a "piecemeal" approach, and saying *there was a consensus* for comprehensive reform. Mr James Leach, chair of the House banking committee, gave the rules a broad welcome, *saying that* they were a step towards financial modernisation.

Mr Ludwig first floated the new rules in 1994, and had waited until after Mr Leach's first attempt to repeal Glass-Steagall collapsed earlier this year.

But congressional leaders still want to avoid measures which appear to be undermining safeguards for depositers. This could slow the process of reform.

Mr Alfonse D'Amato, chair of the Senate banking committee, said he was concerned that Mr Ludwig's rules could open banks to "excessive risks", and said: "Congress can never forget the lessons of the savings and loan crisis of the 1980s."

However, he stressed that there was an emerging trend for comprehensive reform. Powerful figures in the federal government seem to agree. According to Mr John Hawke, an undersecretary of the Treasury and respected as an influential banking lawyer, said last month: "The old lines are being eroded all the time and I think as the industry develops more of a community of interest, that will accelerate.

"Much of the problem recently has been that legislation has focused on the immediate industry conflicts of the day. The whole focus of attention has been on plugging the dyke. That's why I want to focus attention on the future."

However, the angry response of securities and insurance industry lobbyists raised fears that Mr Ludwig's move could damage this consensus.

The American Council of Life Insurance pledged an "all out fight" against Mr Ludwig's "power grab", which it said undermined its recent moves to negotiate with banks over a "meaningful and workable structure for financial services reform".

It said: "The moment all interested parties were ready to sit down at the table, the *comptroller of the currency* decided to blow it up to further his own parochial interests."

The life insurance industry's attitude to reform had shifted in recent months, with the council reversing *its long-held policy of* opposing bank-insurer affiliations.

But the council said yesterday: "At a time when all financial service providers were ready to make peace, Mr Ludwig has decided to renew the war, forcing people into old, entrenched positions."

The Securities Industries Association said: "There must be a two-way street. If banks are allowed into the *securities business, securities firms*, likewise, should be allowed into banking."

Both congressional leaders and securities and insurance lobbyists predicted litigation, with many suggesting that Mr Ludwig had tried to "usurp" powers that properly belonged to Congress.

However, legal experts suggested the comptroller would withstand legal challenges, having been backed by a series of four unanimous Supreme Court rulings over the last two years.

According to Mr Rodgin Cohen, an influential financial services lawyer with the New York firm of Sullivan & Cromwell: "The supreme court has made it very clear that they will defer to a well reasoned decision by the comptroller, and I think he has a very sound argument to begin with."

Lobbyists suggested that the banking industry might now end its push for reform because it had got all it wanted from the regulators.

For example, Mr Steve Judge, a vice president of the Securities Industry Association, said: "One segment of the industry may now have no incentive to continue working towards enacting legislation."

But those close to the banking industry played down these fears. Mr Cohen said: "I don't know anyone on any side of the various debates who believes that the ultimate solution is regulatory as opposed to legislative. I feel strongly that the right way to deal with this is a fully considered legislative resolution. No bank I know *believes this should be* resolved ultimately as a regulatory matter."

Additional reporting by George Graham

Editorial Comment, Page 13

Banks look to big expansion of services

For US retail banks which are looking to expand their share of a financial services market that has moved away from them in recent decades, the move this week by the Comptroller of the Currency marks something of a breakthrough.

It is likely to do little, though, to affect the balance of power between the big securities traders and underwriters on Wall Street.

Big regional banks welcomed the changes, which could open the way for them to sell a far wider range of financial products through their existing branches and other channels.

Through piecemeal deregulation and a series of court victories, some banks have already made considerable headway in selling annuities, life insurance and mutual funds. But the uncertainty caused by a number of long-running court battles over insurance sales, and a costly regulatory structure that has required banks to run these activities in separate companies, has discouraged many from expanding their range of services.

The rule changes by the Office of the Comptroller of the Currency (OCC) "go a long, long way to making entry into these businesses far more appealing", Mr Richard Roberts, treasurer of Wachovia, a big regional bank based in North Carolina, said yesterday. "It is easier to conduct business in an operating subsidiary" of a bank rather than through a separate company, he added.

First Union, another large south-east bank, said the changes would "make it easier for banks to offer a full range of financial services". It added, though, that it had no immediate plans to apply for greater powers from the OCC, "as we feel there will still be some legislative and judicial issues" to be sorted out as a result of the changes.

With 56,000 branches in the US, banks already have one of the biggest distribution networks for financial services products, which has increasingly made them an *appealing outlet for insurance* companies and others looking to expand sales.

Mr *Stephen Hilbert*, chairman of Conseco, a large life insurance group, said his company already sold various types of health insurance through Bank of America, and was discussing sales arrangements with several others. "We are expecting to sell a lot of products through banks," he said.

Besides selling more insurance and investment products to their retail customers, some banks also said the OCC's move would encourage them to underwrite and trade securities. Wachovia, for one, said it would apply *for power to underwrite* various types of municipal securities and corporate bonds.

US banks already have a big distribution network for financial services

However, this week's move will not directly affect the US and foreign banks that have been most ambitious in expanding in the securities markets.

The changes apply only to banks which are regulated by the Office of the Comptroller of the Currency, not those that fall under the wing of the Federal Reserve Board.

The group of OCC-regulated banks includes Citibank, the national banking arm of Citicorp, as well as most of the big regional banking groups.

US banks such as JP Morgan and Bankers Trust, along with foreign banks operating in the US, come under the jurisdiction of the Federal Reserve, which has proposed separate rule changes for them to grow their securities businesses.

Richard Waters and John Authers

Mexico third-quarter GDP up

By Daniel Dombey in Mexico City

A surge in industrial activity helped Mexico to record an unexpectedly big increase in gross domestic product for the third quarter of the year, according to official figures published yesterday.

However, a shrinking trade surplus indicated that the recovery is becoming less export-oriented.

GDP between July and September increased by 7.4 per cent when compared with the same period a year before, about a percentage point more than many analysts' expectations, with the manufacturing and construction sectors increasing by 13.9 per cent and 24.9 per cent respectively.

The year-on-year comparison with 1995, when Mexico suffered its worst recession in half a century, means that even quite small increases in economic activity can seem large in percentage terms.

Many economists expect an increase of between 4 and 5 per cent for the year as a whole. "What we are looking at is a good solid recovery, but despite the percentage increase it is not a spectacular one," said Mr Ernest Brown, an economist at Morgan Stanley in New York.

Despite preliminary trade figures for October showing exports of \$9.2bn, the highest monthly level ever recorded, the month's surplus of \$277m was about the lowest since the first months after the 1994 peso devaluation. Imports of consumer goods rose 50 per cent compared with the same month a year ago.

Economists said that the country's trade surplus had fallen as the peso had appreciated in real terms and as the domestic economy had begun to recover.

"What is important is not the size of future growth but the nature of the growth. It is unclear if growth will remain export based or become more consumer-oriented," said Mr Arturo Porzecanski, chief economist for the Americas at ING Barings in New York.

De Kooning's 'Woman' sells for \$15.6m

By Antony Thorncroft

Willem de Kooning's painting "Woman" sold for \$15.6m at Christie's in New York on Wednesday evening, the highest price paid for a work of art at auction this year. It was the first time that a contemporary painting had broken through the \$10m barrier since 1989, and suggests that confidence is surging through the art market.

De Kooning, who is 92, painted "Woman" in New York in 1948, and his blend of the figurative with the *abstract in the most garish* of free-flowing colours created a minor sensation. "*Woman*" was taken as a comment on American womanhood, and her animal sexuality was not regarded as totally flattering. De Kooning holds the auction record for any living, or contemporary, artist: his "Interchange" made \$20.6m in 1989, at the market's peak.

Christie's was expecting *up to \$12m for* "*Woman*". *It* was the highlight of a successful sale of contemporary art which totalled almost \$34m with 53 of 61 lots sold. Thirteen came from the collection of the late Boris Leavitt. All sold, for \$18.8m, way above an estimate of \$12.6m, setting a record for a single-owner collection of contemporary art at auction. Philip Guston's "Beggar's Joys", also owned by Leavitt, made \$1.7m.

A comic book painting by Roy Lichtenstein went for \$3.9m, but an oil and silkscreen *by another pop artist*, Robert Rauschenberg, was disappointing at \$772,500. *There were artist* records for Hans Hofmann – \$750,000 for "Gloria in Excelsis", and for *Josef* Albers, \$662,500 for "Study for Homage to the Square".

Sotheby's auction on Tuesday went quite well but *brought in only \$11.2m*. A big disappointment was the failure of Francis Bacon's "Seated figure on a couch" (estimated at up to \$2.5m) to find a buyer, but there was consolation in the \$2.1m paid for "Forest scene" by Lichtenstein, which combines his interests in German expressionism and *woodcuts, and the \$1.43m* which secured "Bolsena" by Cy Twombly, a mass of pencil and crayon lines.

More aid urged for indigenous Canadians

By Bernard Simon in Toronto

A commission of inquiry into Canada's aboriginal people has urged the authorities to set aside massive extra funds for aboriginal development and to grant indigenous communities wider political powers.

The commission's 4,000-page report, published yesterday, represents the most exhaustive study yet undertaken of the social, political and economic challenges facing the *aboriginal* population, which includes dozens of North American Indian groups, *such* as the Cree, Micmacs and Mohawks; Inuit (Eskimoes); and various mixed-race communities.

Canada's aboriginal population is just over 1m, or about 3 per cent of the total. However, aboriginal issues have enjoyed a disproportionately high profile in recent years, partly *reflecting the emergence of a* more activist leadership.

These issues range from high rates of unemployment, alcoholism and suicide on remote native reserves, to aboriginals' increasingly assertive claims to jurisdiction over vast tracts of land, especially in western and northern Canada.

Canadian businesses have also paid closer *attention to* aboriginal communities as they gained control over large amounts of money *and* natural resources, thanks to land claim settlements.

The royal commission urged Canadians to acknowledge past mistakes in dealing with aboriginal people, and to build a new relationship with them.

Its 440 recommendations include the creation of a new chamber of parliament, to be *known* as the House of First People, a permanent commission to review aboriginal issues, and a greater measure of self-government for local communities. It proposes the federal government and the 10 provinces lift aboriginal-related budgets from about C\$13bn (US\$9.7bn) to C\$15bn a year for at least 15 years.

The emphasis would at first be on economic and *social* infrastructure, followed by extra funds for land claims settlements.

Mr Ovide Mercredi, chief of the Assembly of First Nations, a group of aboriginal leaders, urged the government to implement its proposals as quickly as possible.

Would-be members queue at Apec door

By Edward Luce and Guy de Jonquières in Manila

The Asia Pacific Economic Co-operation forum yesterday took the first steps towards enlarging the 18-member grouping to embrace as many as 10 mainly poorer Asian and Latin American countries – and possibly Russia. Decisions on which applicants should be admitted, when and on what terms, are likely to provoke political controversy among members of the group, which already includes countries as diverse as the US, China, Japan, Mexico and Papua New Guinea.

Debate is likely to centre both on how many of the 11 applicants meet broad market access criteria recently agreed by the grouping's members and on how far Apec's geographic spread should extend beyond the Pacific Rim.

South-east Asian countries are pressing hard for the early admission of Vietnam, which recently joined the Association of South East Asian Nations (Asean). However, Vietnam is by far the poorest nation in Asean and has one of the most closed economies in the region. Vietnam's entry would also bring in a second communist member to the free trade grouping, which already includes China.

Pending applications from India, Pakistan, Sri Lanka and Mongolia raise questions over Apec's geographic coherence because, unlike all existing members, none of the four countries has a Pacific coastline. While Russia does border the Pacific, it often likes to present itself as a European power.

Some of the applications may be resisted on political grounds. The US, for example, is thought to have reservations about approving Colombia's membership while President Ernesto Samper's government remains in office.

Observer, Page 13

Brussels claims Washington is undermining efforts on technology pact

EU accuses US over IT deal

By Neil Buckley in Brussels and Guy de Jonquières in Manila

The European Commission yesterday accused the US of undermining efforts to reach an international agreement to remove tariffs on information technology (IT) products, by trying to exclude important categories of goods.

Only a month before the ministerial conference of the World Trade Organisation in Singapore, the Commission warned all potential partners that time was running out to reach an information technology agreement.

But in remarks clearly aimed at the US it said it was concerned about "demands made by major potential members to exclude key IT products".

The US angrily rebutted the Commission's accusations that it was trying to delay an information technology agreement (ITA), calling them "inexplicable, bizarre and utterly without foundation".

"This is a ridiculous assertion," a spokesman for the US Trade Representative's office said. He conceded that there were "tensions" between member countries of the Asia Pacific Economic Co-operation (Apec) forum over the timing of an agreement. But he said: "Product coverage is not an issue that will stem progress towards, or scuttle an ITA. This is minutiae at this stage."

The US has signalled disappointment about lack of unity over ITA proposals among Pacific Rim countries ahead of the Apec summit about to be held in Manila. But the European Commission yesterday pinned the blame squarely on the US for putting an agreement in jeopardy.

"Some of us are beginning to wonder whether the US is really interested in or capable of reaching an agreement in Singapore," said one official.

The EU official said the US, under pressure from producers, was trying to exclude "certain key products" from an agreement – notably capacitors, fibre-optic cables, photocopiers and graphic display tubes, used in large computer monitors.

In Manila, the US Trade Representative official declined to say whether the US wanted the four product categories excluded from an ITA. "In any negotiation, product coverage is a constantly evolving process. The US is receptive to ideas from other countries, just as they would welcome ideas from us and others," he said.

In a message directed to the Apec summit, Sir Leon Brittan, the EU trade commissioner, warned that all participants in a tariff agreement needed to put aside "narrow sectoral interests".

"To succeed, the ITA needs broad coverage, both geographical and product-wise," Sir Leon added. "Any request by any participant to exempt products from coverage can only invite others to do the same. The major industrialised countries, including in particular Japan and the US as well as the EU have to set an example for others to follow."

The Commission is pressing for agreement to remove duties on all IT products, including computers, software, office machines, semiconductors and telecoms equipment.

Privately EU officials accused the US of being slow to respond to European proposals, while at the same time putting pressure on the EU to accelerate removal of its own tariffs on IT products. They said they were "amazed" to see the US apparently blaming Apec countries for blocking an agreement. "We have received assurances from most Apec countries that they want a comprehensive deal," said one official.

Thailand fires up power suppliers

How Bangkok secured $6bn commitments is a case study, writes Ted Bardacke

The ease with which Thailand secured commitments for nearly $6bn of private investment in power generation took industry analysts by surprise last week.

For a country where government contracts for infrastructure development have been frustrating for private companies and financial institutions backing them, the success so far of the country's Independent Power Producer (IPP) scheme is startling.

Eighteen months after accepting bids to supply 4,400MW by 2002, Thailand's state-owned Electricity Generating Authority of Thailand (Egat) is committing itself to buying at least 5,472MW by 2003 from six consortia.

The decision to increase the amount of power purchases was simple, Egat officials say.

Despite a slight fall in the projected rate of growth in electricity demand – 9.5 per cent a year for the next decade from a base of 13,400MW – these consortia will provide electricity at costs of about Bt1.40 (5.5 US cents) per kilowatt hour, lower than Egat would have to spend generating electricity for itself.

Once Egat figured out it could increase transmission capacity quickly enough to handle the extra power, locking in private developers at such low prices was a "no-brainer", according to one senior energy official.

How Thailand got into such an enviable position when IPPs in such countries as China, India and the Philippines have been subjected to continual wrangles is a case study in how to structure a competitive government bidding process, analysts say.

"The Thai energy regulatory system, while still in a stage of development, is more mature than most other places in the region," says Mr Joseph Jacobelli, regional power industry analyst with ING Barings in Hong Kong. He explained that while Egat co-ordinated the bidding and was the ultimate purchaser of power, there was an independent regulatory body, the National Energy Policy Office (Nepo), that looked over the entire process.

"Splitting the operator and the regulator – this is exactly the way it should be going," Mr Jacobelli says.

The bidding structure was also crucial. Egat did not specify where it wanted power plants built, their size or fuel type, leaving that to bidders, creating a fully competitive system that enhanced flexibility and creativity.

The result was more than 60 proposals from 30 consortia for more than 30,000MW, putting Egat in a strong position to negotiate after it short-listed bidders based on a formula where electricity price accounted for 60 per cent of the scoring and other factors 40 per cent.

"With so much capacity offered, Egat had the upper hand and squeezed the bidders even more," says Mr Gerard Kuitioff, energy analyst at Deutsche Morgan Grenfell in Thailand. Some apparent wavering on the amount of power Egat would buy was actually a negotiating technique designed to gain further concessions from bidders, he says.

While Egat played hard on price it was flexible in other areas. Suggestions from energy companies about how to structure a bankable power purchase agreement were heeded and Egat agreed to bear the full brunt of any fuel price increases.

Nepo took on the crucial task of forcing the state-owned natural gas monopoly supplier to treat all customers equally and guarantee gas supply by increasing wholesale purchases from concessionaires operating in the Gulf of Thailand and to source liquefied natural gas from Oman.

Given the low power purchase price, return on equity for the IPPs will be only about 15 per cent, according to Mr Kuitioff. Already bankers are complaining that while the deals are well structured, they are feeling the squeeze as well.

"We're being asked to provide maturities we've never seen before at margins that would be unacceptable even in mature European markets," says Mr Jan Cherim, general manager of ING Bank in Thailand.

Nevertheless, any bank that wants to be a serious player in Asian project finance will push to provide a slice of the immense amount of capital needed.

Power companies will certainly come back for more next year when Egat opens another round of bidding – for 4,000MW to be delivered between 2004 and 2006.

Existing IPPs are likely to have an advantage, but they will face competition from a troika of emerging regional companies such as Cepa of Hong Kong and YTL of Malaysia, bidders which lost out this time, and more western companies which will no longer see Thai energy projects as too risky.

WORLD TRADE NEWS DIGEST

US in patents row with India

The US has taken India to the World Trade Organisation over its failure to meet commitments on intellectual property rights protection agreed under the Uruguay Round. India has agreed to the formation of an arbitration panel to resolve the dispute. The US has long signalled the move, after India failed to pass legislation to establish a "mailbox" system for lodging patent applications, a precursor to installing full patent protection, and exclusive marketing rights for patented goods, also in advance of full intellectual property rights legislation.

The US also complained that India fails to provide patent protection for pharmaceutical or agricultural chemical products. US pharmaceutical industry groups have branded India one of the world's worst offenders on pharmaceutical patenting, alleging lack of proper intellectual property protection costs US pharmaceutical groups up to $2bn a year in lost sales. India's lower house of parliament has passed the necessary legislation on patents but the measures were blocked last year by the upper house. *Mark Nicholson, New Delhi*

Hungary seeks TV bidders

Hungary yesterday published draft tenders for two national television stations and said the minimum fee for each of the 10-year concessions would be Ft8bn ($50m).

Final documents for the much delayed tenders, which are for frequencies and operating licences, will be released after hearings with potential investors on December 11.

The privatisations have attracted strong interest from western media groups, which have expanded rapidly into the former East bloc. Although a pioneer of market-led reform in the region, Hungary is one of the last to privatise the sector, in part because of fears that broadcast media will be swamped with foreign programming at the expense of local traditions.

The national television and radio authority, which is organising the tenders, said programme quality and local content, as well as price, would be among the criteria.

One of the frequencies on offer is at present used by MTV2, the second national channel; the other was formerly a Soviet army channel.

MTV1, the main station which last year attracted more than half of television viewing, is to remain in state hands. *Virginia Marsh, Budapest*

China-Vietnam rail links

China and Vietnam will start a second cross-border rail service on December 6, a Vietnam Railways official said yesterday. The 761km route will link Hanoi with Kunming, the capital of China's south-western province of Yunnan and will run through the northern Vietnamese border town of Lao Cai.

Two trains will run each week on the Hanoi-Kunming route, carrying an estimated 300,000-400,000 tonnes of freight. Both sides agreed on a second service after the inauguration of a line linking the Vietnamese capital with Nanning, in Guangxi province, in February.

Relations have warmed between the two former enemies, who fought a brief border war in 1979 that severed rail links. A top Chinese politburo member, Mr Qiao Shi, left Vietnam yesterday after a series of meetings with the Vietnamese leadership designed to promote economic ties and dialogue between the two countries' communist parties. *Jeremy Grant, Hanoi*

Tokyo acts to clear financial wreckage

Hanwa's forced demise shows a break with past policy on 'dud' banks, writes William Dawkins

The Japanese government yesterday showed it was serious in its aim of dismantling the state guarantee against complete failure that has, for most of the post-war era, cosseted the banking system.

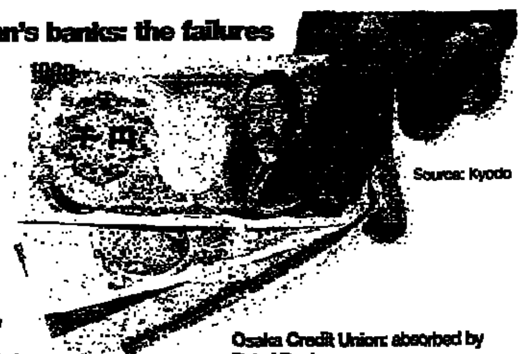
For the first time in living memory, the finance ministry ordered an insolvent bank to close. Hanwa Bank's enforced demise marks a significant break with past policy of closing "dud" banks only to revive their operations under a different name, artificially sustained by rich parents, compliant partners or state rescue packages.

Hanwa will be liquidated by a state body to be set up to preside over its end, its depositors will be paid off and it will never resume business. Its 850 staff may even be sacked.

All of the 11 credit associations and credit unions and two regional banks to have succumbed to bad property-related loans over the past two years have continued to trade in some form, even if only to try to collect debts or sell collateral.

In that sense, the Hanwa closure was widely welcomed as a step forward in what has often seemed a muddled official attempt to clear the detritus left by the collapse of the asset price bubble five years ago.

Japan's banks: the failures



Source: Kyodo

Tokyo Kyowa Credit Association and Anzen Credit Bank: operations of both taken over by Tokyo Kyodou Bank (now Resolution and Collection Bank)

Yusi Credit Union: operations taken over by Kanagawa prefectural labour credit association

Cosmo Credit Corp: operations taken over by Tokyo Kyodou Bank

Kizu Credit Union: operations taken over by Resolution and Collection Bank

Hyogo Bank: Midori Bank established to carry on operations

Fukui-Ken Dai-ichi Credit Union: merged with Fukui Bank

Osaka Credit Union: absorbed by Tokai Bank

1996

Yukuhashi Shinkin Bank: operations taken over by Kita Kyushu Yahata Shinkin Bank

Taiheiyo Bank: Wakashio Bank established to carry on business

Sanyo Credit Union and Kenmin Daiwa Credit Union: both taken over by Danyo Credit Union

Musashino Shinkin Bank: absorbed by Oji Shinkin Bank, while selling branches to other banks

Sampuku Credit Co-operative declared bankrupt by Osaka prefectural government

Hanwa Bank ordered to suspend most operations by Finance Ministry

"Prompt measures to deal with insolvent financial institutions without delay will lead to the early rejuvenation of the functions of the Japanese financial system," said Mr Yasuo Matsushita, the central bank governor.

While the big commercial banks have largely provided for their bad debts, there are still believed to be several small local banks that have under-estimated their problem loans and could collapse, Hanwa-style, without warning. None is big enough to shake the industry but their existence impedes an overcrowded and high-cost banking system's attempts to become more efficient.

"This shows the finance ministry is now pushing ahead with getting rid of the problem banks. There are more to come," said Mr Brian Waterhouse, financial analyst at James Capel Japan.

"It is at the very least at attempt to show change," said Ms Alicia Ogawa, head of equity research at Salomon Brothers Asia.

The closure of Hanwa, while a surprise, is part of a trend in that direction, starting last June when the ministry wrote to all banks warning them it would intervene if their equity fell below 4 per cent of assets (which compares with nearly 6 per cent for the least unhealthy Japanese banks). It was the first time it had set a specific benchmark below which banks would be considered in trouble.

The next sign of an official get-tough policy came earlier this month when the state body charged with disposing of bankrupt housing loan companies warned that it would also force the bankruptcy of one of their main borrowers, an Osaka property developer. The threat was carried out and the property group, Sueno Kosan, was declared bankrupt in court last week.

The announcement last week by Mr Ryutaro Hashimoto, the prime minister, of wide-ranging financial system reforms over the next five years is another mark of the government's willingness to open the system to market forces. Finance ministry officials at the time warned that the weakest financial institutions would be allowed to collapse in the burst of competition that the reforms would unleash.

It is not, however, true that the Hanwa closure was planned. Mr Sei Nakai, deputy director general of the finance ministry's banking bureau, pointed out that the government's hand was forced by the fact that Hanwa was due today to announce its first-half results, which would make plain that it was insolvent.

Hanwa's road to ruin is an all too familiar story of financial hubris and nemesis.

But it does highlight a relatively new risk in the Japanese banking system. In spite of banks' efforts to come clean over their bad debts, officially estimated at Y35,000bn ($315bn) for all Japanese banks at the end of last March, some of them may not after all have told the full story.

Hanwa, based in Wakayama, near Osaka, found itself short of industrial lending business as Japan's late 1980s economic boom took off. It responded, like several other local banks, by lending to land developers in southern Osaka as land prices started to rocket.

The first sign of real trouble emerged last year, when Hanwa had to bail out two lending affiliates, forcing itself into a Y15.7bn net loss.

Last March, it said that uncollectable loans had risen to 12.5 per cent of lending – four times the average for regional banks – and that it had provided for less than a quarter of the bad debts.

A finance ministry audit in the autumn found the situation was really far worse, with all categories of bad loans at 17 per cent of lending, or Y80bn. Of that, Y40bn was deemed to be genuinely uncollectable, roughly twice the bank's capital.

As James Capel's Mr Waterhouse points out, the finance ministry's inspectors deserve credit for discovering Hanwa's true plight.

But this only invites the uncomfortable question of how many other small banks' accounts give an unrealistically rosy picture.

Philippine 'sin taxes' approved

By Edward Luce in Manila

The Philippine congress yesterday approved heavy "sin taxes" on beer and tobacco. These are expected to raise 6.1bn pesos ($235m) a year and give a strong boost to the government's fiscal position.

The vote is seen as a defeat for business opponents of the measure, among them Mr Lucio Tan, the country's foremost ethnic Chinese businessman.

President Fidel Ramos, who had urged members of congress opposed to the tax to "behave like statesmen for once in your lives", plans to sign the bill into law tomorrow before he greets heads of state arriving for the 18-member Asia Pacific Economic Co-operation (Apec) summit. He considered passage of the bill to be a symbolic test of the country's political maturity.

The measure, urged on the Philippines by the International Monetary Fund as vital to achieving regular budget surpluses, was passed unchanged despite strong opposition from congressmen in the lower house, and from Mr Tan outside.

The government claims Mr Tan, who owns the country's largest tobacco company, Fortune Tobacco, and its second largest beer interest, Asia Brewery, had evaded up to $1bn under the existing tax system, which is based on the production costs of beer and tobacco.

Government lawyers, whose efforts to prosecute him were defeated in the supreme court earlier this year on a technicality, allege Mr Tan set up "ghost" marketing arms to minimise tax payments. The government is appealing against the ruling.

Under the new legislation, which will take effect from January 1, excise taxes will be imposed on the retail price of beer and tobacco at graded levels. The new system will raise almost half the projected gains from an overall tax package which includes a broadening and simplification of the income tax base.

"We are delighted with congress for passing the measure because it will boost budget revenues and it will send the strong message that the Philippine government will not allow one company to get an unfair advantage over its competitors," said Ms Milwida Guevara, undersecretary of state for finance.

"From now on businesses can expect a level playing field."

Slower Indian growth upsets fiscal forecast

By Mark Nicholson in New Delhi

India's industrial growth is continuing to slide, according to latest official figures. For the first time government officials have indicated the slowdown could contribute to a higher-than-targeted fiscal deficit for the year ending in April.

Government officials quoted in the Business Standard newspaper yesterday indicated the slowdown, combined with an expected shortfall in budgeted earnings from sales of state assets and higher expenditure, particularly on defence, could see the fiscal target slip to 5.3-5.4 per cent of gross domestic product, from the desired 5 per cent.

Indian industrialists are also gloomier about immediate prospects of an upturn, according to a survey by the Confederation of Indian Industries (CII), the business lobby.

Official production estimates covering 24 sectors showed that industrial growth in September fell to 3.2 per cent against 3.9 per cent a month earlier. This cut cumulative growth for the period from April to September to just 4.8 per cent against 12.8 per cent for the same period last year.

The chief culprits were a 10 per cent fall in crude oil output, a result of production difficulties in India's two main offshore oilfields, continued poor growth of electricity output, which rose just 2.6 per cent in April-September, down from 10.9 per cent growth for the period last year, and a slump in fertiliser production.

Though manufacturing growth has continued above 10 per cent for the period, businesses polled by the CII cited inadequate rises in power generation and other infrastructural bottlenecks as constraints on growth.

They also cited poor availability of credit and high interest rates – both partly a legacy of the previous government's tough anti-inflation policies and high government borrowing last year.

Mr B.B. Ramaiah, commerce minister, is forecasting improved export growth, which has slumped in the first half to just 9.9 per cent – half of official targets and well below last year's growth of 26 per cent.

Non-oil import growth, a measure of Indian industry's appetite for inputs and capital goods, is now a negative 3 per cent.

Rising oil imports, and higher crude prices, are causing concern, with oil imports up 42 per cent in the first half over last year.

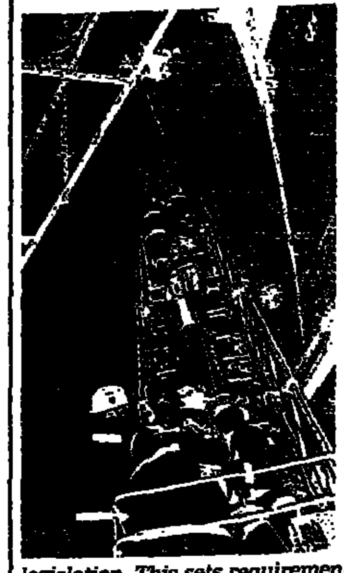
The petroleum ministry has already estimated this will add $2bn to India's oil products export bill for the year, taking it to $9bn.

This will add pressure on the United Front government to raise petroleum product prices for the second time in its five-month tenure.

Stung by strong opposition to rises of 15-20 per cent for petrol and diesel earlier this year, the cabinet on Wednesday ruled out a further rise in prices for the time being.

ASIA-PACIFIC NEWS DIGEST

HK fire rules under scrutiny



Hong Kong fire and safety regulations in older buildings came under scrutiny yesterday after at least 39 people were killed in a fire at a commercial high-rise building on Wednesday night. The territory's legislature has already been examining legislation to tighten regulations. There is at present no legislation to force owners of old buildings to follow current standards or to bring their properties up to current standards. The 16-storey block gutted in the fire was built before 1973 and so falls outside the scope of existing legislation. This sets requirements for sprinklers, smoke detectors and other fire-prevention equipment. Many older buildings have few anti-fire devices.

Mr Chris Patten, Hong Kong's governor, said the fire underlined the importance of passing the safety bills at present before the territory's Legislative Council.

It took more than 20 hours to extinguish the fire, which happened in a building on Nathan Road on the "Golden Mile", the shopping and tourist district on the Kowloon Peninsula. *John Ridding, Hong Kong*

Seoul mends ties with Vietnam

South Korean president Kim Young-sam was scheduled to leave Vietnam today after a two-day visit confirming that Hanoi's growing economic ties with Seoul overshadow its ideological loyalty to communist North Korea.

Mr Kim is the first South Korean president to have visited Vietnam since the two countries normalised relations in 1992. Ties had been frosty ever since South Korea sent 300,000 troops to help the US-backed war effort in Vietnam in the 1970s.

"They have kept the usual relations (with Pyongyang) but in fact they understand that South Korea is more important in terms of foreign relations," said one South Korean foreign ministry official. South Korea ranks third behind Taiwan and Singapore with $2.3bn of approved deals. It is Vietnam's third largest trading partner.

Agreements were also signed under which Seoul would provide assistance towards establishing a trial stock exchange in Vietnam and technical help for construction of a nuclear power plant which Hanoi hopes to build. *Jeremy Grant, Hanoi*

Australian budget bills passed

Australia's conservative federal government had a fillip yesterday when three budget bills were passed by the Senate, where it does not have a majority. The supply bills, which contain departmental cost-cutting measures, passed through the Senate virtually unscathed, in spite of efforts by minor parties to make changes. This parliamentary session – notably in the Senate – has been seen as a big test for the government. But the government has this week succeeded in getting its new labour market laws passed, as well as a family tax package promised during the March election. However, legislation to allow the partial privatisation of Telstra, the large government-owned telecommunications group, remains contentious, and is likely to hinge on the votes of two independent senators. *Nikki Tait, Sydney*

Bangladeshi bank chief fired

Bangladesh's central bank governor, Mr Khorshed Alam, has been replaced after a report found him lax in dealing with irregularities at the bank, Mr Shah Kibria, finance minister, said yesterday. He will be succeeded by Mr Lutfur Rahman Sarkar, a career banker. The changes at Bangladesh Bank came as trading was suspended in the Dhaka Stock Exchange yesterday as brokers and investors felt uneasy following clashes on Wednesday between kerb market operators and police. An official of the exchange said: "Brokers and their authorised assistants felt insecure, while the turnout of traders and investors was very thin." The all-share price index closed 2.73 per cent down at 3,298.04 on a turnover of Tk166.4m ($4m) on Wednesday. *Kasra Naji, Dhaka*

Taiwan magistrate shot

Assassins burst into a county magistrate's home yesterday, executing him and seven other people in one of Taiwan's most violent crimes in memory. Taoyuan county magistrate Liu Pang-yu, a member of Taiwan's ruling Nationalist party, died in hospital after being shot in the head.

Justice Minister Liao Cheng-hao recently said that crime gangs had infiltrated Taiwan's business and political circles and even parliament, triggering fears of underworld reprisals. In August the Justice Ministry launched a crackdown on scores of criminal gangs. *Reuter, Taipei*

World Stock Markets, Page 36

Old guard's plans for smooth transition are being frustrated

Hanoi reopens succession issue

By Jeremy Grant in Hanoi

When the wife of Vietnam's prime minister, Mr Vo Van Kiet, slipped into an elite clinic near the Ho Chi Minh mausoleum this week, she was not there for a routine check-up. Her mission: to check her 74-year-old husband's medical records after another figure in the country's ruling troika, President Le Duc Anh, was incapacitated by a stroke last week. Mr Anh's doctors say he is too ill to resume his duties.

Her concerns are a sign that the 75-year-old president's condition has concentrated the leadership's collective mind on its frailty at a time when it least expected it.

Only four months ago, the Communist party's five-yearly congress voted to retain the general secretary, Mr Do Muoi, 80, Mr Kiet and Mr Anh in their positions after failing to agree on suitable successors.

This was supposed to buy time for a smooth transition by the top three in the country's ruling politburo to younger blood. Instead, Mr Anh's illness has unexpectedly reopened the succession issue.

The question of who will replace the president dominates Hanoi's gossip-ridden café society and complicates decision-making in its opaque political system. But it does not imply any radical change to the country's 10-year-old reform process, known as *doi moi*.

Instead, it is likely to set the tone for the pace of reform over the next few years. The emphasis is likely to be on incremental changes, diplomats say. "I have the feeling power is more and more diluted and feudal," one diplomat added.

Vietnam has not responded adequately to foreign investors' concerns about the need for a rule of law in an environment shot through with corruption. Nor has it convinced the World Bank and others about its commitment to levelling the playing field between the patronage-riven state sector and nascent private businesses, which face discrimination.

Donors and investors are watching to see how it handles the latest leadership dilemma. Under Vietnam's constitution, the country's vice-president, Ms Nguyen Thi Binh, assumes the duties of the president if the incumbent is incapacitated. But she is not a member of the powerful Communist party central committee and is unlikely to succeed Mr Anh.

Names bandied about as possible successors include Mr Nong Duc Manh, National Assembly chairman, and Mr Nguyen Manh Cam, foreign minister. Mr Cam was to have succeeded to the presidency at the party congress had his deputy Le Mai not died, complicating the succession issue.

A new president could be selected by the politburo, then approved by the National Assembly standing committee before formal ratification by the assembly, Vietnam's parliament. That would take place next year, when the assembly and other positions, including those of premier and president, are re-elected.

Meanwhile, observers are watching the military, party and government factions vying for dominance in the political structure. This could signal whether Vietnam wants to maintain the current pace of reform or slow it down.

Although the government is backed by the reformist premier, Mr Kiet, and was recently boosted by the appointment of technocrats to top ministerial posts, party control over policy-making is still decisive.

Ultimately, military figures may have a pivotal role. Their representative is Mr Le Kha Phieu, a protégé of Mr Anh who was elevated to the inner core of the politburo at the party congress. His role is to strengthen party ties with the military and spur military economic activity through manufacturing and joint ventures with foreigners.

NEWS: INTERNATIONAL

S Africa raises bank rate to 17%

By Roger Matthews in Cape Town

The South African Reserve Bank yesterday raised its bank rate by 1 point to 17 per cent. The move was quickly followed by the main commercial banks, which put up their prime lending rates by a similar amount to just over 20 per cent.

Mr Chris Stals, the governor of the Reserve Bank, said monetary policy had to be tightened because of the "serious threat" of worsening inflation caused by the "cumulative and excessive depreciation of the rand".

The rand benefited from the interest rate increase, improving by R0.05 against the dollar to close at R4.61. But prices suffered on the Johannesburg Stock Exchange, with the all-share index down 76 to 6,774. Industrials were worst hit, the sector index dropping 97 to 7,980.

The governor's move will be politically unpopular because the interest rate increase seems certain to damp economic growth which was already slowing.

Mr Trevor Manuel, the minister of finance, still believes the economy will grow by 3 per cent this year, but several private sector economists, who nine months ago had been predicting successive interest rate reductions, have lowered their forecasts for 1997 to as little as 2 per cent.

The government is committed to achieving a growth rate of 6 per cent by 2000, at which point it should begin to make inroads into the official unemployment rate of 33 per cent, largely blamed for serious level of crime.

Inflation has risen from an annual rate of 5.5 per cent in April to 9.1 per cent in October, with the full effect of the rand's depreciation yet to be felt. "It would be a suicidal approach for the Reserve Bank to create more central bank money in this situation," said Mr Stals.

He said both bank credit and the money supply continued to rise at unacceptably high levels and the deficit on the current account, although narrowing, was not covered by net capital inflows. This meant liquidity was drained from the money market, and in November the average daily shortage had exceeded R9bn ($1.93bn).

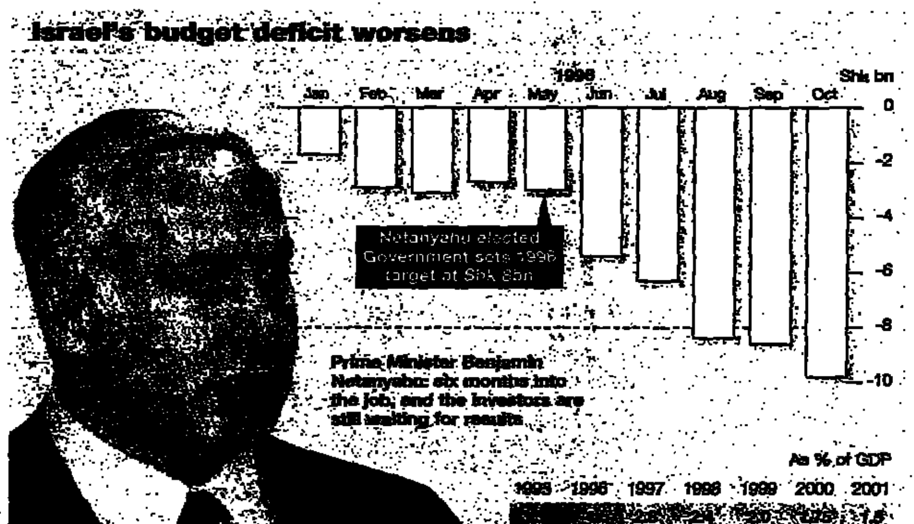
This left Mr Stals with the "suicidal" choice of injecting more money into the system, or raising bank rate, the rate at which the Reserve Bank lends overnight to banking institutions.

Mr Stals saw the economy now moving into a period of consolidation which could provide an opportunity to restore equilibrium to the balance of payments, and a more stable exchange rate.

But he said unless the moment was seized South Africa would be faced by still higher inflation and lower growth, which would mean collapse of the government's medium-term economic objectives. "Decisive action", of which the interest rate rise was one element, "is now necessary to restore both external and internal financial stability", he warned.

Israel waits for Netanyahu to deliver

Six months after the election, much trumpeted economic reforms have yet to materialise



Prime Minister Benjamin Netanyahu: six months into the job, and the investors are still waiting for results

When Mr Benjamin Netanyahu, the Israeli prime minister, announced this week that he would seek further cuts in next year's budget, the markets hardly blinked.

"Why should they?" said one analyst. "We have seen no action on the economic front since Mr Netanyahu was elected last May. Even his much trumpeted privatisation plans, supposed to have been unveiled last week, never materialised. Where is the substance to the rhetoric?"

During his election campaign, Mr Netanyahu placed the economy high on his agenda. Privatisation and deregulation would be speeded up, long overdue capital market reforms would be introduced and the budget deficit, including the spiralling current account deficit, would be tackled.

Six months into the job, investors are still waiting for results. They say the longer they wait, the more likely the goodwill and the $2.2bn of foreign investment which poured into the country last year on the back of the peace process could evaporate. This is the last thing Israel needs as the economy slows.

It has been growing by an average of 6 per cent a year since 1992, buoyed by the influx of more than 750,000 Russian immigrants, by the peace process and by the expansion of Israel's high tech industry. But this year it will slow to 3.8 per cent, slipping to about 3.2 per cent in 1997, as the boom spurred by the immigrants ends and the tourism industry declines at least 15 per cent as a result of the spate of bombings this year and the recent violence between Israelis and Palestinians.

Of even more concern for economists is the worsening current account deficit. Fuelled by the immigrants' consumer spree and a real appreciation of the shekel, it grew from 0.3 per cent of gross domestic product in 1992 to an estimated 5.4 per cent of GDP, or $4bn-$4.5bn, this year.

Both this deficit and the budget deficit, estimated to reach 4-4.5 per cent of GDP this year compared to 3.5 per cent in 1995, is one of the reasons why the Bank of Israel is determined to maintain high interest rates and a tight monetary policy to check inflation. Inflation is already running at 11 per cent a year, up from last year's 8.1 per cent.

The central bank is resisting calls by the business community to cut interest rates and devalue the shekel in order to boost exports. The bank fears such a move would fuel inflation since wholesalers, dependent on imports, would pass on higher prices to consumers.

At the same time, the bank is insisting the government push through at least its original Shk4.9bn ($1.5bn) spending cut proposals in next year's budget in order to reduce the current account deficit and tighten the government's expansionary fiscal policy.

Economists are sceptical about Mr Netanyahu's ability to push through even these modest cuts from a total budget of Shk165.4bn, less debt repayments.

Lehman Brothers, the investment bankers, argued in a report published this week that the recent violence would almost certainly put economic issues on the back burner, at least in the short term.

Furthermore, Mr Netanyahu, head of a fractious conservative-led Likud coalition, has no experience of government. He has never held a ministerial post nor has he had to make compromises. "Working against Netanyahu is his lack of experience in national politics," said Lehman Brothers. "He must strengthen his hold on the government and formulate a clear policy framework."

Time is not on his side. If Mr Netanyahu continues to stall on the peace process, violence could erupt again, increasing the possibility of foreign investors shying away from Israel. It is already happening. Although they represent only 10-20 per cent of the normal trading activity on the Tel Aviv Stock Exchange, daily volumes have fallen by $5m-$7m in the past six months as foreign investors remained on the sidelines.

Another factor is the annual $2bn loan guarantees which Israel has been receiving from the US since 1991. These are due to expire at the end of this year. Given the government's loose fiscal policy and the fact that updated finance ministry estimates put this year's current account deficit at $1bn, analysts believe this could result in the downgrading of Israel's credit rating.

Israeli economists shudder at such a possibility. "It is clear what Netanyahu should do," said Mr Ephraim Kleiman, professor of economics at the Hebrew University. "If he pushes through the budget cuts and fulfils his other promises on the economy he would show his mettle. If not, the budget and current account deficit will grow. We will borrow more. The economy will get worse."

Judy Dempsey

INTERNATIONAL NEWS DIGEST

UN locates missing Hutus

The United Nations refugee agency UNHCR said yesterday it had located up to 700,000 missing Rwandan Hutu refugees in eastern Zaire using western satellite pictures. Ms Melita Sunjic, UNHCR spokeswoman, said an estimated 50,000 refugees had been located near the Masisi region, 100,000 north of Sake village near Masisi and 200,000 north of Bukavu and another 250,000 south of Bukavu.

Many were heading for areas controlled since earlier this month by Zairean rebels, aid workers said. The location and direction taken by the thousands of refugees – mainly Hutus who fled Rwanda in 1994 – will be one of the main issues to be discussed at a meeting of military planners from 19 countries in Stuttgart, today.

● Zaire's President Mobutu Sese Seko will return home from surgery and convalescence in Europe before the end of the month. "He himself has said that he will have a medical check-up on the 25th of November, and will return home three days later," the prime minister, Mr Kengo wa Dondo, said. *Reuter, Kinshasa*

EU extends Nigeria sanctions

The European Union has agreed to extend for another six months sanctions imposed on Nigeria in protest against human rights abuse. "The general human rights situation and the pace and the manner of the transition to civil democratic rule [in Nigeria] continue to give rise to serious concern," a draft EU statement says.

EU sanctions on Nigeria, basically restrictions on travel to the EU by Nigerian officials and military personnel, were due to expire in early December. The draft statement said that while there had been "some modest steps in the right direction, there was not sufficient evidence of progress to modify the EU position regarding Nigeria". Africa's most populous nation is treated as a pariah by the rest of the world for alleged human rights abuses and last year's hanging of nine minority rights activists from the Ogoni tribe, including a writer, Ken Saro-Wiwa. *Reuter, Brussels*

Algeria rejects Amnesty claim

The Algerian government yesterday accused Amnesty International of taking sides in the country's internal conflict and lending legitimacy to armed Islamic groups. The London-based human rights organisation, in a report this week, described a deteriorating human rights situation and an atmosphere of fear in which civilians were increasingly drawn into the nearly five-year conflict.

The report condemned both the killings by armed Islamic groups and the government practice of judicial executions, torture and disappearances of detainees. It also called on the government to disband civilian militias first set up as self-defence groups but now involved in arbitrary killings of people they believe to be Islamic terrorists.

The Algerian embassy in London said Amnesty had painted "a distorted picture in which the criminal is absolved and the citizen seeking to defend himself is condemned". That the Amnesty report was released 10 days before the controversial November 28 vote on amending the constitution, a move opposed by several Algerian political parties, was proof of Amnesty's bias, said the Algerian embassy. *Roula Khalaf, London*

Currency reaches highest level since ejection from Exchange Rate Mechanism in 1992

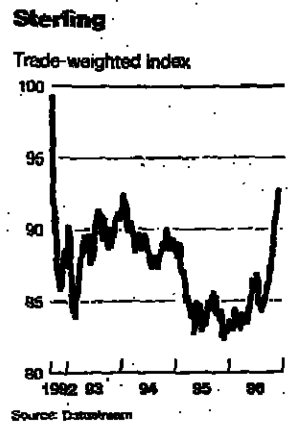
Competitiveness warning as pound soars

By Ross Tieman and Simon Kuper

The pound soared yesterday to its highest level since the week it was forced out of the European exchange rate mechanism in September 1992, sparking a warning from business leaders that the surge could seriously damage UK competitiveness.

Sterling has risen by about 10 per cent since its recent low point in August, in large part because strong economic growth has fuelled expectations of higher interest rates. The pound has also been boosted in recent months by higher oil prices.

Measured against a trade-weighted basket of currencies, it closed in London at 92.8 per cent of its 1990 value. This was its highest closing level since September 18, 1992, two days after Black Wednesday, when it fell out of the ERM.



Sterling gained 2.1 pfennigs against the D-Mark and reached yet another four-year high against the dollar, after a 1.3 cent rise to $1.690.

Mr Ian Granne, foreign exchange trader at Schroders, said: "The recent strong economic data has convinced much of the market that UK base rates will rise next month." A strong pound makes UK goods relatively unattractive in world markets by making exports more expensive and imports cheaper. Company chiefs have begun to signal cuts in corporate profitability and press for government action to curb a rise in the pound of more than 12 per cent in as many months.

Mr Adair Turner – director-general of the Confederation of British Industry, the main employers' lobby – said yesterday: "Many businesses have been telling us anecdotally for the last couple of weeks that they do feel that the exchange rate is getting to a level where it could have a significant effect upon competitiveness both on exports and on import penetration."

He spoke after ED&F Man Group, the commodity broker, joined British Steel and Courtaulds, the chemical company, in publicly expressing concern. Mr Harvey McGrath, Man's managing director, warned his investors: "If spot rates stay at this sort of level over the next five months there will be a 5 per cent reduction in reported earnings at the full year."

Profits at many of the UK's leading manufacturers and exporters are expected to be cut by around 2 per cent to 4 per cent because of the rapid appreciation.

Brokers say company profits will be undermined by declining margins or sales in export markets, and by the reduced value of profits earned outside Britain when translated into sterling.

Engineering analysts at Kleinwort Benson Securities have cut their profit forecasts for 18 UK manufacturers by 1.8 per cent to 4 per cent in response to a rise of more than 5 per cent in the trade-weighted value of sterling since August.

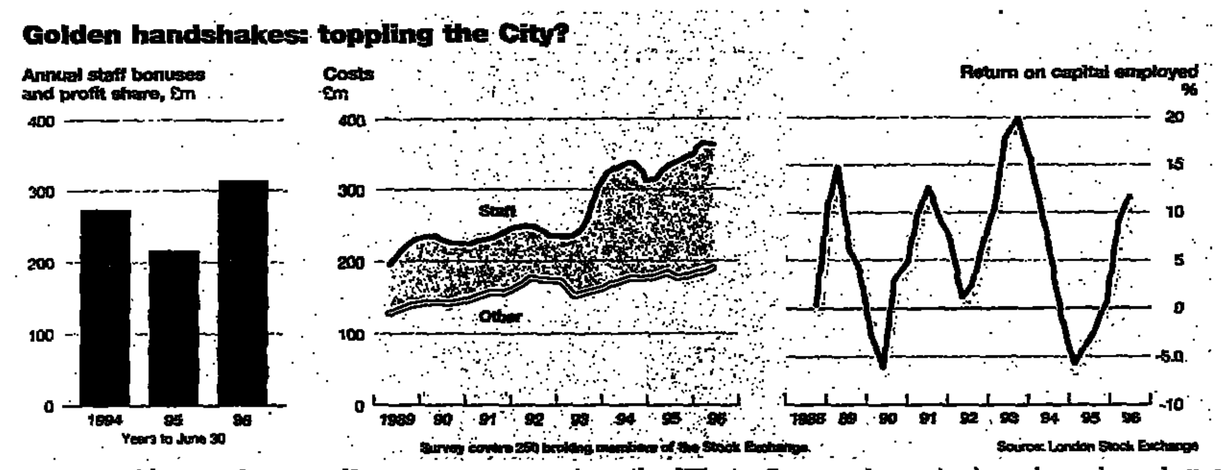
Companies dependent upon dollar pricing, especially in the oil and aerospace industries, are seen as vulnerable in spite of their use of currency hedging.

Sterling reached its all time low of 84.0 on the trade-weighted index on November 20 last year. It has since risen by more than 15 per cent against the D-Mark and 8 per cent against the US dollar.

Currencies, Page 25

Bonus feast gives food for thought

In spite of the bonanza, rising staff costs make broking firms more vulnerable



The news that employees of broking firms in the City of London enjoyed a bonanza of £315m ($520m) in bonuses and profit-sharing in the 12 months to June indicates how quickly the good times have returned to a notoriously cyclical industry.

It has been clear for some time in the results of international investment banks that 1996 is likely to be a highly profitable year. Results are expected to be rivalled only by 1993, when investment banks broke out of the doldrums of the early 1990s.

Yet figures for profit-sharing and bonus payments at 250 members of the London Stock Exchange show trends that have already caused concern among many managers. They show that staff costs are growing more rapidly than other costs, making firms more vulnerable in a downturn.

The figure for bonuses compares with a total pre-tax profit for the 250 firms of £719m ($1,205m). This was a near-record figure, and followed a dismal period in 1994 when US interest rates rose and financial markets suffered. The same firms made a total loss of £308m ($516m) in the year to June 1995.

The volatility of profits in investment banking is not a new phenomenon. Broking houses in particular depend strongly on healthy financial markets for profits, and return on the capital swings sharply. The exchange figures show that firms lost money in 1990, and only just broke even in 1992.

However, a more worrying trend for broking houses is that staff costs have been escalating faster than other costs in the past year. The figures show a 9 per cent rise in staff costs compared with a 1 per cent rise in overall costs. A great deal of this rise has come in bonuses.

The main reason for the escalation in bonuses is the strong competition among large firms for staff. Although the larger firms such as Deutsche Morgan Grenfell have concentrated on expanding in mainland Europe and the US, they have also been hiring equity research and sales staff in the UK. As firms such as DMG and Schroders expand in UK stockbroking, they have created a buoyant transfer market.

Many of the large pay packages have been awarded to those with a rarity value. In particular, large sums have been paid to equity analysts and equity capital markets specialists.

In a recent speech, Sir Andrew Large, chairman of the Securities and Investments Board, pointed out some of the perverse effects of the labour market in the City.

Sir Andrew argued that the "colossal" rewards for the stars of investment banks make such employees harder to control and can encourage them to take excessive risks with the capital of the firm. He said that the star culture "can lead to serious damage, long-term, to the firm as a whole".

At a more prosaic level, some managers of City firms worry that they are simply storing up trouble for the future. Some transfer packages for star traders have offered a guaranteed level of bonus for up to three years. This is a hostage to fortune if the industry cycle turns down again.

John Gapper

Indonesia aircraft deal gets go-ahead

By David Wighton, Political Correspondent

The government yesterday gave British Aerospace, the defence company, the go-ahead to deliver 16 more Hawk fighter aircraft – worth an estimated £300m ($503m) – to Indonesia in spite of persistent allegations that they are being used against opponents of the Indonesian regime in occupied East Timor.

UK officials said the export licence had been granted only after "rigorous assessment" of the planes' likely use.

But campaigners against the arms trade said the government's decision was "incomprehensible" given the recent evidence of increased government repression of the Indonesian democracy movement.

The granting of the export licence comes three months after a group of women activists were cleared of damaging a British Aerospace Hawk to prevent it being shipped to Indonesia. In a verdict that shocked the defence industry, the jury accepted the defence argument that the women had used "reasonable force to prevent a crime".

A year ago, the UK government approved the sale of an initial consignment of Hawks in respect of a contract signed in 1993. The government said it had concluded that it was "not likely" that the planes would be used for "internal repression in Indonesia or East Timor". The Indonesian government had given assurances that they would not be used for internal security or against civilians.

Announcing the latest licence in a written parliamentary answer yesterday, Mr Ian Lang, the chief UK industry minister, made no comment on any additional enquiries the government has made. But officials said the licence had been issued "only after rigorous assessment".

British Aerospace said the planes would be used for advanced flying training and tactical training. But the Hawk can also be used as an attack aircraft.

Mr Jose Ramos Horta, the exiled spokesman for the East Timorese resistance movement and joint winner of this year's Nobel peace prize, has claimed to have seen Hawks being used in an offensive role in East Timor.

But Mr Jeremy Hanley, a minister at the UK Foreign Office, told the House of Commons last month that the government had investigated the allegations thoroughly and found no evidence to support them.

Editorial Comment, Page 13

Central bank warns of euro payment obstacle

By Graham Bowley and George Graham

Political arguments about the proposed Target payments system are causing a "planning blight" on more technical issues that could lead the system into gridlock, the Bank of England warned yesterday. The disputes concern the terms on which countries outside European Monetary Union would be able to use Target.

In a strongly worded address to bankers in London, a senior official of the Bank of England, the UK central bank, spoke of a "disturbing lack of detail" in Target's preparation. The system will link wholesale payments systems to allow instant transfers of euros, the proposed single currency, throughout the EU.

Mr David Pennington, who is responsible for designing the UK's link to Target, said the central bank's preparations for Target put the UK "in a relatively strong position" to some of its European partners.

Mr Pennington said it was still an "unanswerable question" whether other central banks, or even the European Monetary Institute, the forerunner of the proposed European Central Bank, would be ready to launch Target on time on January 1, 1999.

Bank officials said preparations for running Target in normal conditions were well advanced but the system also needed to cope when things went wrong.

If one central bank's system crashed, said Mr Pennington, liquidity risked being "hoarded or simply piled up at a national central bank that was unable to recycle it."

There was controversy earlier this year after threats from France and Germany that countries outside Emu would face restricted access to Target. They argued that Target would be inextricably linked to monetary policy in the single currency area and countries outside Emu should not have the same access as those within it.

Mr Pennington said there was no doubt the UK would be entitled to connect to Target if the UK were outside Emu. But he feared extra hurdles to full UK access would reduce Target's efficiency for all users.

Target is likely to be discussed at an EMI meeting next month. Senior European officials said progress towards an agreement on access was not assured.

Mr John Townend, deputy director of the Bank of England, indicated that plans to overhaul the way the bank intervenes in the UK's sterling money markets to bring it into line with practice elsewhere in Europe would be published soon. The move would help London remain a centre for money market operations after the scheduled introduction of Emu in 1999.

He said the proposals, which are expected to use the UK's new market in bond sale and repurchase agreements, or gilt repos, to manage money market conditions and impose monetary policy, would be published "as soon as we possibly can". He added this could be "within the next few weeks".

Mr John Major, the prime minister, came under pressure last night to allow a full House of Commons debate on European monetary union, after senior figures from the governing Conservative party called for an urgent meeting with the premier, write John Kampfner and Robert Peston. The government said it would go ahead with its plans to table a motion "taking note" of three European Union position papers on Emu which had been sent to a committee for discussion on Wednesday.

Those proceedings ended in disarray after angry MPs from all parties rejected a government motion "taking note" of the documents. Mr Major told MPs there would be a general debate on Europe – without a vote – ahead of the EU heads of government summit in Dublin next month.

Crippled trucks are pulled from Channel tunnel

FT Reporters in Paris and London

Eurotunnel staff were forced to fall back on the final part of a three-stage safety programme to rescue passengers trapped by a blazing freight train on Monday night, the company revealed yesterday.

In spite of the resumption of a limited freight train service early in the day, Eurotunnel is still gathering evidence to put the Channel tunnel safety authority. There appears no immediate prospect that Eurostar services, passenger and freight shuttles will resume.

As the first of the fire-damaged shuttles and trucks were removed from the tunnel, the full scale of the incident became clear. One truck, with a blackened cargo of pineapples, had been almost totally destroyed, while others, revealing buckled metal panels and melted plastic components, had collapsed on to their suspensions.

Eurotunnel forecast that it would take several weeks for the resumption of full services, while its ferry rivals announced increased sailings across the English Channel between Dover and Calais.

P&O is increasing daily sailings to 30, from 20 before the fire, with the return of a fifth ferry from a refit. Stena is increasing daily sailings from today from 25 to 27. The port of Dover yesterday handled a record of nearly 5,500 trucks.

On the night of the fire the train driver was unable to continue through the tunnel because a warning light indicated that a loading ramp was open, Mr Alain Bertrand, Eurotunnel operations director, said. A power failure meant that the burning shuttles could not be uncoupled from the driver's carriage to allow it to be towed to safety.

This meant the train crew had to lead passengers through a connecting tunnel into the pressurised central service tunnel. Mr Bertrand said: "The whole incident was managed totally in accordance with procedures and systems that were very carefully designed, tested and commissioned during the construction and development of the tunnel."

Meanwhile suggestions that the fire had been deliberately started were dismissed as "really a distortion of the facts", by the local investigator, based in Boulogne. The office added: "Nothing at this stage has been ruled out or ruled in."

UK NEWS DIGEST

More problems in share system

Crest, the electronic share settlement system for the City of London, hit renewed problems yesterday when the settlement of 14 securities, including the shares of Enterprise Oil and Scottish Power, were suspended for the day. The suspension of settlement was caused by problems in the communication links between Crest and Bank of Scotland, which is the registrar for the 14 securities involved. The move led to delays in other Crest facilities.

The difficulty comes as Crest has been attempting to reduce a backlog of 30,000 unsettled bargains held within the system. The board of CrestCo, the company that runs it, is to meet on Monday to consider delaying transition to the system.

The problem with Bank of Scotland is the first significant difficulty to affect a company registrar in Crest since a series of problems with the transfer of paper certificates to electronic accounts at the end of last month. Bank of Scotland said it had experienced problems with its communication link to Crest through Swift, the Brussels-based data network. *John Gapper*

■ SOFT DRINKS

Branson accuses cola competitor

Mr Richard Branson yesterday accused Coca-Cola & Schweppes Beverages of using anti-competitive sales practices to thwart Virgin Cola, his loss-making, two year old venture in UK soft drinks. "From our experience with British Airways, we see obvious parallels in soft drinks." said Mr Branson, who is chairman of Virgin Group, which includes the Virgin airline.

But his complaints about CCSB's use of discounts and other forms of trade promotions were criticised as "naive" by several other small soft drink producers. CCSB has about 60 per cent of the UK soft drinks market. The partners announced this autumn, however, they were selling it in a £1.2bn ($2bn) deal to Coca-Cola Enterprises, the US-based bottling company 44 per cent owned by Coca-Cola. European Union competition authorities are examining the deal and have solicited views from CCSB's competitors with a final verdict from Brussels due in the third week of January. *Roderick Oram*

■ LIFFE

New euromark debuts in London

More than 11,000 contracts changed hands yesterday in the first session of trading in the latest arrival on the London International Financial Futures and Options Exchange – a futures contract on German one-month interest rates. That compares with roughly 13,000 lots today in Frankfurt, although the contract has been available there for a week. It traded 7,381 on its its first day in Frankfurt. "The launch of Liffe's one-month euromark futures [yesterday] and the announcement [on Wednesday] that Liffe and the Chicago Mercantile Exchange have signed an agreement to list [Liffe products in Chicago] are both key elements in Liffe's Emu strategy," said Mr Jack Wigglesworth, chairman of Liffe (pictured launching the new contract with Mrs Angela Knight, a UK Treasury minister). "Greater worldwide market penetration of products…strengthens Liffe in its ambition to become the world centre for euro derivatives trading." *Samer Iskandar*

■ PRIVATISATION

Three shortlisted for rail bid

Three big companies – Stagecoach, Sea Containers and Mr Richard Branson's Virgin Group – have been shortlisted for the 15-year franchise to operate train services on the busiest long-distance route on the UK rail network. The route is the west coast main line which runs from London to Scotland and serves the northern cities of Manchester and Liverpool.

Stagecoach, the second biggest bus group and Sea Containers, which runs container leasing and ferry operations, have both already won rail franchises. Virgin is a partner in the consortium which operates Eurostar trains through the Channel tunnel between England and France. *Charles Batchelor*

■ ECONOMY

Spending data underline strength

The powerful momentum behind UK economic growth was underlined yesterday by figures showing that consumer spending is growing at its strongest rate since 1989 and that manufacturers' order books have risen to a 15-month high. Consumer spending rose by 3.6 per cent in the year to the third quarter, according to the Office for National Statistics. The Confederation of British Industry, the main employers' lobby, meanwhile reports that manufacturers are seeing a marked improvement in domestic orders. *Robert Chote*

■ AEROSPACE

Rolls-Royce in $92m RAF deal

A 10-year contract has been won by Rolls-Royce to provide maintenance support for Adour engines in Royal Air Force Jaguar and Hawk aircraft. The agreement between Rolls-Royce Aero Engine Services and the Ministry of Defence is worth about £55m ($92m).

■ OIL AND GAS

Brent field

In a chart published in the FT yesterday, the lines showing oil and gas production forecasts in the Brent field of the North Sea were inadvertently transposed.

Unstable milk sector ponders restructuring question

Poor prices and the long-term decline in doorstep sales have added to the pressure on the sector for a shake-out

Mr Sean Christie, finance director of Northern Foods, has a simple way of expressing the problem of how to restructure the dairy industry. Everyone, he says, is talking to everyone else. But "no one wants to be bigger in dairy". According to Mr Michael Landymore, food analyst at Henderson Crosthwaite, the dairy industry is "inherently unstable".

Eventually there will have to be some reorganisation within the sector. The big question is how this will come about.

Northern Foods reported a 27 per cent slide in half-year operating profits from its dairy side on Wednesday, while on Tuesday Unigate said its dairy business suffered a 14 per cent drop in operating profits.

The main problem in the half year has been poor prices for commodity products such as skimmed milk powder and butterfat. However, the sector has been enduring a much longer-term pressure from the decline in doorstep milk sales and the rise in supermarket sales of milk.

A pint (0.57 litres) of milk delivered by a local milkman typically costs 39 pence (65c), while a 4-pint (2.28 litre) plastic jug from a supermarket generally retails between 95 pence and 99 pence, working out at less than 25 pence per pint.

That disparity has persuaded millions of customers to buy from supermarkets, which are often accused of using milk as a loss leader. If the supermarkets are not making much profit from milk, they expect their suppliers to share that pain. That has meant several years of rationalisation by the dairy groups, trying to reduce their costs to a level where they can still make money from supplying big stores.

This summer two regional groups who were supplying supermarkets, Cricket St Thomas and Lord Rayleigh's Dairies, went bankrupt. Mr Chris Haskins, chairman of Northern Foods, said this week: "There is too much capacity and between £75m and £100m of excess cost in the industry". While many groups have been involved in asset swaps on a local basis, a much more sweeping rationalisation is needed. Once that has taken place, though, the companies left in the sector should prosper.

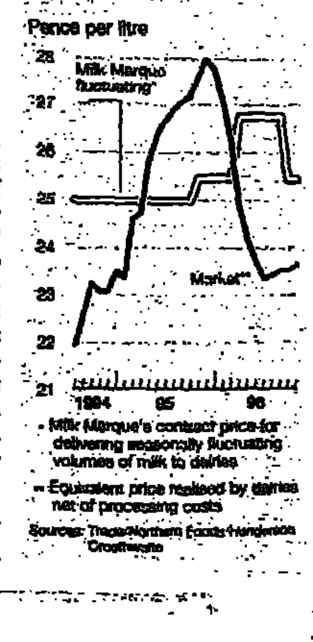
Glasgow-based Robert Wiseman Dairies believes, for example, the industry will polarise into a few national processors and some small, local dairies.

As a quick fix, many in the industry are hoping they can negotiate a cut in the price they pay for milk in the new year. Milk Marque, the farmers' selling co-operative which supplies 50 per cent of the milk that dairies process, recently cut prices.

But the prices dairies are realising for commodities such as skimmed milk powder and butterfat they process from the milk is still lower than the cost of the raw milk supplied by Milk Marque. Only profits from liquid milk sales keep dairies in the black.

Even if supply costs fall further, many executives believe the cuts will give only temporary relief rather than salvation for the industry. There are widespread rumours in the industry that MD Foods, the group owned by a Danish farmers' co-operative, lost £20m ($33.5m) in the UK in its financial year to the end of September. If MD Foods and others are prepared to sustain such losses, in the hope that they will be long-term winners, then prospects look dim for a while.

Maggie Urry and Roderick Oram



MANAGEMENT

John Kay

The new Newspeak

Modern business literature is in danger of fulfilling George Orwell's vision of a debased English language

In one of George Orwell's finest essays, written just after the second world war, he dissected the use of language in politics. Politicians and political writers had created a divorce between language and ideas which debased both language and politics. Orwell later created Newspeak, the language of 1984, to show how far this debasement might go.

When Orwell wrote, there was little or no business literature. But today business has taken over as a focus for truly dreadful writing. It is easy to find ludicrous examples, but like Orwell I cite cases that are representative rather than extreme:

"Those who hesitate too long before the challenge of globalisation, or fail altogether to respond, face economic jeopardy, or at least substantial loss of competitive position. Those that opt for globalisation in good time, position themselves to gain competitive leadership and sustainable increases in returns." *(Facing up to the Globalization Challenge*, H. Henzler & W. Rall, McKinsey Quarterly, Winter 1986.)

"Today's top level managers recognise that the diversity of human skills and the unpredictability of the human spirit makes possible innovation, creativity and entrepreneurship. The most basic task of corporate leaders is to recapture these valuable human attributes by individualising the corporation. To do so, they need to adopt a management philosophy that is based on purpose, process and people." (C.A. Bartlett and S. Ghoshal, Harvard Business Review, May/June 1995.)

Most people would agree with these sentiments. In fact, that is the problem. Are there many people who think companies should procrastinate indefinitely before the challenge of globalisation? Or that creativity and innovation are promoted by discouraging diversity and squashing the human spirit?

This is the kind of writing that Orwell described as "gumming together long strips of words which have already been set in order by someone else ... the attraction of this way of writing is that it is easy".

Penning such passages is like saying "it's a nice day" to a neighbour. The purpose is not to convey information; such remarks are conversation fillers, designed to bridge an awkward silence or to establish mutual recognition and rapport. We can assent to these paragraphs without thinking, just as we can acknowledge "it's a nice day" without giving any attention to the weather at all.

Orwell likened this kind of writing to responses in church. We mumble them without any longer recognising the underlying meaning of the words and phrases. Consider these examples: "To truly exploit the virtual value chain, however, Geffen's managers might go further by applying the generic value-adding steps of the marketsplace to the information the company collects at every stage of the physical chain, thereby creating new value for customers." (J.F. Rayport and J.J. Sviokla, *Exploiting the Virtual Value Chain*, Harvard Busines Review, Nov/Dec 1995.)

> The authors did not write badly because they did not know how to express themselves well. They wrote badly because they had nothing to say

"The old ways of doing business – the division of labour around which companies have been organised since Adam Smith first articulated the principle – simply don't work any more. Suddenly, the world is a different place. The here and now crisis of competitiveness that American corporations face today is not the result of a temporary economic downturn or of a low point in the business cycle. Indeed, we can no longer even count on a predictable business cycle – prosperity, followed by recession, followed by renewed prosperity – as we once did." (M. Hammer and J. Champy, *Re-engineering the Corporation*, p17.)

The central difficulty here is understanding what is meant. These passages are like extracts in a foreign language which you do not speak, and for essentially the same reason. We understand language by recognising the concepts which words express. In unknown languages, you find it impossible to connect word to concept. The same is true here. It is as though these paragraphs were written by computer, programmed to write grammatically correct English but with no knowledge of the meaning of English words. Perhaps they were.

Words like re-engineering, downsizing and delayering sound as if they come directly from the dictionary of Newspeak. Words that express genuinely new concepts – like bytes or quarks – have a vitality and imagination that these stale euphemisms lack. And this was Orwell's key message. The authors he cited did not write badly because they did not know how to express themselves well. They wrote badly because they had nothing to say.

Or, sometimes, because they wished to conceal what they meant. Politics has always abused language in this way. Democracy comes to mean no more than "a system of which I approve". Fascism is "something which I intensely dislike". Similarly, empowerment is a positive way of describing one's relationships with subordinates, hierarchy a negative one.

As Orwell explained, such blurring of the meaning of words leads quickly to statements like "the Soviet Union is a true democracy" or, "downsizing is necessary to achieve real job security". It is the divorce between word and thought which makes it possible to say these things.

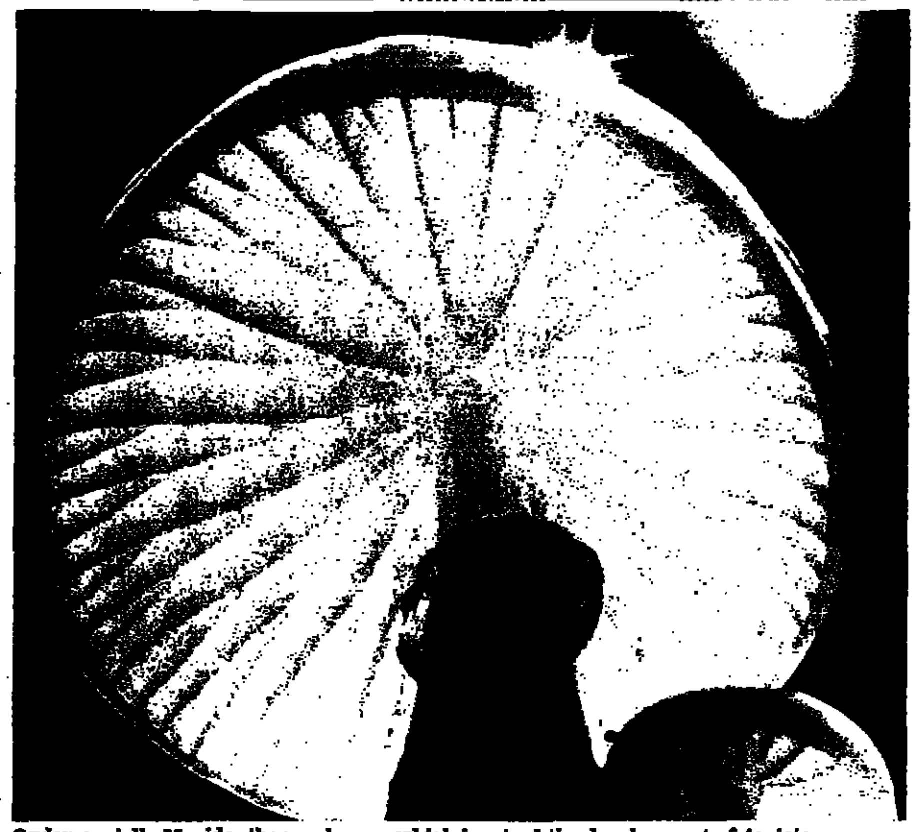
There is a role for manipulative language in industry as there is in politics and religion. The chief executive addressing middle managers is performing the same function as the leader at the party conference, the priest at mass, or for that matter the general with his troops or the leaders of a football crowd. Their objectives are to promote group solidarity and practise social control, and the same tricks of ritual, rhetoric and responses apply to each. But none of us should think for a moment that these incantations tell us anything about how to run a business.

Orwell's clear, direct prose will not instruct you how to do that. But it will help you think, and that is a good start. Next time you visit an airport bookstall, push past the business shelf and pick up a volume of his essays.

Politics and the English Language, in The Penguin Essays of George Orwell, Penguin, 1984

John Kay is the chairman of London Economics and director of the School of Management Studies at Oxford University

TECHNOLOGY



Oudemansiella Mucida, the mushroom which inspired the development of Amistar

Clive Cookson on a wide-acting fungicide which does not endanger wildlife

Fungus killer takes to field

Use a fungus to kill a fungus. That principle was the starting point for a product launched by Zeneca today, which the UK agrochemicals company says is the most wide-acting and versatile fungicide ever developed.

Amistar, as it is called, can kill almost any fungal infection on almost any fruit, vegetable or cereal crop, without endangering wildlife or the environment.

With analysts forecasting peak sales of £200m to £300m a year, Zeneca hopes that Amistar will lift it from being a distant also-ran to a strong participant in the global fungicides market.

Its active ingredient, azoxystrobin, is based on natural anti-fungal chemicals, which forest mushrooms such as *Oudemansiella mucida* (pictured) secrete to prevent competing species encroaching on their territory.

Scientists discovered these chemicals, called strobilurins, in the 1970s. During the 1980s, the agrochemical industry turned to them as a potential source of new fungicides.

The natural chemicals are too unstable for agricultural use, so researchers identified the parts of the molecules responsible for their fungicidal action. Then they synthesised thousands of analogue strobilurins, testing them in the laboratory and greenhouse for activity, toxicity, stability and mobility.

Eventually, in 1989, the Zeneca scientists at Jealott's Hill agrochemical research centre in Berkshire decided that azoxystrobin had the optimum combination of qualities, and they started testing it in the field.

Meanwhile, their competitors at BASF, the German chemicals group, were going through a similar research and development project with strobilurins. They chose to develop another synthetic compound, kresoxim-methyl, which also reached the market this year.

Vivienne Anthony, Zeneca's fungicides development manager, says azoxystrobin has a broader spectrum of activity than its German rival. She points out too that Amistar does not contain any other active ingredient, whereas BASF is concentrating on selling mixtures of kresoxim-methyl with other fungicides.

The strobilurins have a novel biochemical mode of action, which makes them effective against fungi that have developed resistance to other fungicides. They work by penetrating the cell wall and attacking the mitochondria, the cell's energy generators; deprived of energy, the fungal cells die.

According to Zeneca, Amistar is the only commercial fungicide that shows a high level of activity against all four of the main fungal groups that attack crops. Field trials have been carried out on 60 crops; commercially important targets include cereals, rice, bananas, vines, peanuts, turf and a range of vegetables.

Therefore Zeneca is trying to get Amistar approved as quickly as possible in all the world's important markets. It has never previously attempted an agrochemical registration effort on this scale – which is more typical of a pharmaceutical launch.

(Zeneca researchers did in fact investigate azoxystrobin as a possible treatment for human fungal infections but it turned out not to be a suitable drug candidate).

Amistar has been submitted to 30 regulatory authorities. Germany was first to approve it, in April, and the other countries, including the UK and US, are expected to follow over the next year.

To ensure that enough supplies would be available to meet the exacting launch timetable, Zeneca formed a "total technology team", with specialists from many disciplines, to establish a manufacturing process.

The supply chain involves 15 chemical intermediates drawn from international sources, some with their own dedicated plants. This would normally have evolved over five years or more but Zeneca established it within three years.

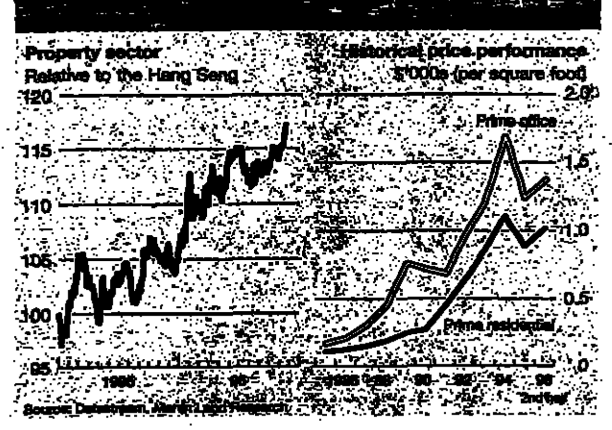
The company's own £17.5m Amistar plant at Grangemouth, Scotland, is officially opened today.

Gardeners can look forward eventually to solving their fungal problems with Amistar, Zeneca says. But for the moment it is concentrating on registering the product for commercial growers and farmers.

THE PROPERTY MARKET

Buttress for confidence

John Ridding looks at the construction revival in Hong Kong



Down by Hong Kong's harbour, on land clawed back from the sea, a giant sandpit stands where ferries used to dock. Pile drivers and diggers will soon lay the foundations for a hotel, offices and an 85-storey tower, the tallest in the territory.

The HK$40bn (£3.1bn) project is a sign of confidence in the post-handover Hong Kong property market – the Chinese regain sovereignty next July. But it is not the only one. Across the territory, jackhammers and construction equipment drown out the real estate doubters.

Lately, the optimists have had the upper hand. After a sharp downturn in 1994-95, which saw residential and office prices fall by more than 25 per cent and 35 per cent respectively, Hong Kong's property market is bouncing back.

"There has been a steady improvement," says Dr Lo Ka-shui, managing director of Great Eagle. Like the other big developers, he points to healthy fundamentals in the sector and shrugs off the risks relating to the return to China. "Outside, there may be scepticism, but we are not worried."

That is something of an understatement. In the macho style of many self-made tycoons, Hong Kong's property magnates have recently been proclaiming the sums they are committing to schemes – and the figures are considerable.

Mr Lee Shau Kee, chairman of Henderson Land, one of the territory's largest property groups, said last week that he would spend at least HK$10bn on land acquisitions this year. Cheung Kong, which is controlled by Mr Li Ka-shing, said the following day that it would be committing a similar figure. Along with the other dozen or so big developers, the two flagship property concerns plan to invest some HK$630bn by 2000.

Such pledges are partly self-serving, given that the tycoons' fortunes depend on the feelgood factor and a buoyant property sector. But the building activity suggests there is more to their claims than idle talk, while their optimism has been underpinned by movements in the market.

Residential prices are up by an average of about 20 per cent so far this year. The commercial sector has been facing more of a struggle, but is now on the mend. "There are strong signs that office rentals bottomed out during the third quarter," says Jones Lang Wootton, the real estate agents, reporting the first upturn in its office rental index since mid-1994.

Increased activity is also evident in auctions of new plots in Hong Kong's carefully rationed real estate market. Bidding was brisk at last week's sale, with one site achieving 20 per cent more than estimates.

A combination of factors underpins the revival. Apart from the general economic recovery after the 1994-95 slump, monetary conditions have eased and banks have been waging a battle for mortgage customers, driving finance costs lower.

The result is stronger demand. In three days last week, more than 10,000 prospective buyers registered for apartments offered by Sun Hung Kai properties. At HK$2,850 per square foot, the launch price is expensive by international standards but marks an attractive discount for local househunters in the rising Hong Kong property market.

Mainland money has provided an additional lift. In the commercial sector, Chinese companies have been buying local bases ahead of the handover. In one of the bigger deals, the Hong Kong arm of the Cosco shipping group has paid HK$2.9bn for the top 15 floors of a downtown tower block and the right to paint its name on the territory's skyline.

According to a study by Jones Lang Wootton, mainland interests accounted for about 25 per cent of the total value of property transactions in the first nine months of the year, with the bulk of purchases in the commercial sector.

It expects an increase in mainland funds over the next few years as a result of Beijing's recent credit relaxation. At the same time, executives from Chinese companies are flocking across the border, helping to push up residential prices.

Where and when the market will peak remains the big question. Mr Victor Kwok, property analyst at SBC Warburg, points out that mass residential and office prices are still below their 1994 highs. He describes a further 25 per cent increase over the next six quarters as "very possible".

Such forecasts assume demand will remain sufficient to absorb the increased supply created by the frenzied construction activity. Some support for this is provided by an expected influx of residents after the handover, continued strong inflows of expatriates and the flexibility in land use.

Says Merrill Lynch: "Once ominous supply levels continue to slip," citing decisions by Wharf and other developers to shift projects from commercial to residential schemes, where supply remains tight.

But this year's increases will be hard to repeat. "I believe the residential price will continue to move up next year, but at a slower pace," says Mr Lee at Henderson Land.

Goldman Sachs advises investors in property stocks to take profits after their recent surge on the stock market. It argues that the cycle is peaking, mortgage repayments have reached record levels, and sales are set to slow.

A property analyst at another US investment bank cautions about the commercial sector: "There is still a question mark over whether the upturn can be sustained."

The biggest question, of course, is whether the shift from a capitalist to a communist landlord will bring the sector crashing down. Although the process is proceeding relatively smoothly, and China regularly voices its commitment to Hong Kong's prosperity, the transition is an unprecedented experiment, fraught with business risks.

By investing so boldly, the property tycoons are seeking to buttress the confidence that they preach. But they may also be digging themselves a very large hole.

ARTS

Alarmed by death and loneliness: Josette Bushell-Mingo, Myra McFadyen and Joseph Mydell

Alastair Muir

A journey for Everyman

Alastair Macaulay on the RSC production of a late medieval morality play

I am grateful to every company that seeks to extend, onstage, our knowledge of world drama. At Stratford-upon-Avon, the Royal Shakespeare Company's associate director Katie Mitchell is beginning her new regime as director of The Other Place by bringing to the stage several key dramas from the pre-Shakespearian period. First of these is the late mediaeval morality play *Everyman*, dating from around 1500.

Starkly, beautifully, this charts the pilgrimage of Everyman towards death. In its wake, it prompts umpteen echoes of earlier and later plays. God sends Death to tell Everyman of his impending end; since here Death is a female, the scene that follows recalls the *Todesverkündigung* (Annunciation of Death) in Wagner's *Die Walküre*. From then on, Everyman's voyage resembles now that of Euripides's and Gluck's Alcestis, now *The Pilgrim's Progress* of John Bunyan, now the closing scenes of Ibsen's *Peer Gynt*.

What makes it most affecting is Everyman's intense need for a companion. The prospect of departing this life alarms him, but less so, it seems, than the loneliness of this final journey. He calls on one personification after another – Fellowship, Kindred, Goods, Beauty, Strength, Five Wits, and more – to bear him company. But some of them at once reject him, and others eventually desert him. Of them all, only Good Deeds and Knowledge will last the course, Good Deeds even going with him to the grave.

The simple gravity of the mediaeval language adds its religious loveliness to the drama. On the journey there is variety, colour, cheer, but the solemnity of the issue keeps making itself evident. As Everyman laments that everyone has failed him save his Good Deeds, Good Deeds chimes in with "All earthly things is but vanity / Beauty, Strength, and Discretion do man forsake, / Foolish friends, and kinsmen, that fair spake / All fleeth save Good Deeds, and that am I."

Much is wrong with the RSC production, directed by Kathryn Hunter and Marcello Magni. There are acres of extraneous modern material added – the extended wedding feast amidst which Death comes to Everyman, the Babel of priests that erupt well along the journey, and more – which add colour to the story but also cheapness of tone.

The final line of Goods to Everyman should be "Fare thee well, and have good day", but here the actor, Paul Hamilton, having said the first half of the line seriously, then adds "and have a good day" like a city slicker. Such moments suggest a lack of faith in the text, and in general there is an excess of ostentatiously artificial acting. Joseph Mydell is an Everyman who employs an elegant Oxford drawl even when *in extremis*; and his utterance and physicality are, from first to last, too contrived.

And yet he has authority. And the entire production, in which all the other actors play several parts, has vigour. Josette Bushell-Mingo – her face now so grave in repose, now so Disney-like in animation – is a splendid source of variety in a wide range of roles, and her singing, in several different styles, is simply spellbinding. Paul Hamilton brings a genuinely numinous quality to his simple delivery of God's lines.

Best, and most touching and simple, is Myra McFadyen's account of Good Deeds – ageing, frail, Scottish, soft. Her way with "All earthly things is but vanity" strikes the ear like the voice of solace itself.

'Everyman' is sponsored by Firkin Brewery. In RSC repertory at The Other Place, Stratford-upon-Avon.

Opera/Richard Fairman

Debuts in the Don

Seven performances of *Don Giovanni* down and here comes a fresh team to keep the show on the road for another six. We shall have to get used to long runs of favourite operas at Covent Garden this season (although I was chided for saying there would only be one new production, as two more have been announced separately for the Verdi festival next summer).

Monday's performance introduced no less than five company debuts. After a first cast that read like the local Mozartian eleven playing at home, the selectors have come up with a rest-of-the-world team on an away match. I suspect this has arisen because the Royal Opera found itself having to rustle up an extra cast when some more expensive production was hurriedly shelved, but it has had one positive benefit in bringing in some new and interesting voices.

That is the level at which this revival is best approached. A production which started out with detailed dramatic points to make has inevitably become loose and in most respects uninteresting. Why does it take so many extras to shift around the gloomy set so that it looks just the same as it did before?

Everything about the production is dark as night, except when Solveig Kringelborn's firebrand Donna Elvira flares on stage with a welcome blaze of vocal colour. This young Norwegian soprano, heard as Fiordiligi at Glyndebourne in the summer, is determined to make sure the character's emotions come across and sets about her role with no inhibitions. She was easily the most involving singer on stage.

By contrast, both Christine Brewer's Donna Anna and Donald Kaasch's Don Ottavio remain two-dimensional characters who are content to leave any expression to their singing. In Brewer's case carefully phrased with formal classical purity. Ferruccio Furlanetto manages to make a complex figure out of Don Giovanni, curling a supercilious lip with any amount of evil hidden beneath; but is vocally uncharismatic; Franz Hawlata treats Leporello to a first-class bass-baritone voice and a lot of unspecific "character".

There was some touching interplay between the Zerlina of Christiane Oelze, who does not have an insincere bone in her body, and the Masetto of Maxim Mikhailov, who combines presence and a very promising youthful voice; Gudjon Oskarsson sang a Commendatore as sure as a rock. In the course of the evening each of the singers was at variance somewhere with Dietfried Bernet's soggy conducting. This was a performance that sounded uncertain where it was going.

Further performances until December 5.

Lottery funds aim for the man in the street

Now everyone can apply for a lottery grant to pursue their creative dream. The Arts Council yesterday greatly widened the potential impact of lottery funding by launching Arts 4 Everyone Express (A4E Express), and its big brother, Arts 4 Everyone (A4E). Their trendy names suggest that they represent the Arts Council's biggest attempt yet to reach down to the man in the street.

Both schemes have similar aims – to develop new audiences pay for new works, widen participation, encourage young talent and to help the training of professionals. They mark the first major switch of lottery money from purely capital projects into what amounts to revenue funding. The council has earmarked £20m for the scheme in its first year, a tiny sum compared with the £600m it has distributed in 20 months of lottery funding.

The type of projects that might be financed through A4E Express would include the studio costs of a teenage garage band; a choreographer's fees to help a young dance troupe; professional advice for an amateur drama group; commissioning new music for a steel band; or even financing a graffiti artist. Grants will range between £500 and £5,000, and only 5 per cent need be found in cash as the partnership contribution. Individuals cannot apply.

The bigger scheme, A4E, for which the grants can rise to £500,000, will interest the largest arts companies. This is designed to finance the commissioning of new plays, music, etc; the touring of new work; artists-in-residence schemes; and the financing of reduced ticket price performances to draw in specific audiences.

If the application is for over £100,000, 15 per cent of the cost must be found. But even here help is at hand. Sir Cameron Mackintosh has come up with a £500,000 Mackintosh Foundation which can be called on for partnership funding. This should ensure that many performing arts groups can tap into lottery money for free.

The Arts Council expects 5,000 applications for the two schemes in the first year. If it catches the popular imagination it should end once and for all the *canard* that arts lottery money is only going to the grandest, elitist, London based arts organisations.

With the Arts Council expecting bad news about its 1997-8 grant in the Budget on Tuesday this new initiative provides some relief for the arts community, but it can in no way replace government-financed core funding.

Antony Thorncroft

Theatre/Sarah Hemming

A tale about mercy

If your pulse races at the mere thought of 18th-century Japanese puppet theatre, then you will need no second bidding to hurry down to the Cottesloe to catch Chikamatsu Monzaemon's *Fair Ladies at a Game of Poem Cards*. If, on the other hand, the idea sounds as attractive as hari-kari, you should still make your way to the Cottesloe.

Surprise number one: the play is performed not by puppets, but by actors. Surprise number two: although formal and distant, it is remarkably accessible. Surprise number three: although set in a world far removed from our own in terms of codes of honour and belief, Peter Oswald's adaptation and John Crowley's production are vivid enough to bring out the timelessness of the piece and help you appreciate its formal beauty and benign wisdom. In fact, Oswald has avowedly not tried to reproduce the original, but to create a new play from it that he hopes will benefit from the cultural remoteness of Chikamatsu's work.

The play tells a story about mercy. It relates what happens when two samurai warriors from the court of Lord Shigemori fall in love with two maids of honour from the court of the Empress. The Empress's jealous warden tries to thwart their love, abusing his position to bring false messages from the Empress to Lord Shigemori and vice versa. Since this is a rigid society where the rules are harsh and the penalties harsher – just about anything, it seems, is punishable by instant death – the warden is able to move for the execution of the lovers.

But he reckons without the clemency of his superiors. The Empress and Lord Shigemori, we learn, are twins, and, though physically separate, they are of one mind. They are able to temper the law with love. Chikamatsu is clearly touching on wise personal conduct, but also on enlightened government.

To western eyes there is much in the piece that reminds one of Shakespeare, but the feel of the piece is very different and Oswald manages to keep it strange without making it too distant. His play is written in blank verse and is episodic. Character definition is limited yet, curiously, this does not seem to matter, and there are some delightfully funny scenes, such as the sight of two noble samurai squabbling childishly about who should sit above whom at the table.

Vicki Mortimer has come up with a striking candle-lit set which traverses the auditorium; the audience sit either side of a moving platform which slides the actors to and fro over two gravel rectangles. It seems to match the mood of the piece, my only quibble is that it does not give you a sense of the bleak wintry mountains where the lovers find themselves in exile, and so you lose something of the epic quality of the play. Meanwhile, the actors bring a nice hint of formality to otherwise naturalistic performances. Olwen Fouéré is mesmerising as the Empress, whose impassive face and rigid bearing hide a compassionate heart, while Colin McFarlane is equally impressive as the dignified Lord Shigemori, who quietly makes clear how tyrannous it is to misuse a giant strength.

Cottesloe, London SE1 (0171-928 2252).

Opera

Rising stars in New York

There is the impression, among people only vaguely familiar with opera in New York, that the Metropolitan is a house of superstars: Pavarotti, Domingo, Zeffirelli and the like. But, in fact, the Met – whether by choice or because of the health and whims of the famous – presents every season a number of younger artists, who often are a source of surprise and pleasure.

Recently, for example, after Placido Domingo sang his scheduled performances of Giordano's *Fedora* with Mirella Freni, his role of Loris was taken over by the Italian tenor Fabio Armiliato who, since his Met debut three seasons ago, has gradually won an enviable position on the roster. Not a particularly refined performer, he has a bold, clarion ring tempered when necessary by honeyed sweetness; he brought vocal excitement to an already admired production.

Similarly, in James Levine's revival of the John Dexter-Josef Svoboda production of *The Bartered Bride*, after the scheduled Teresa Stratas bowed out, the management called on the young Gwynne Geyer, a debutante of 1992, who has successfully sung several roles in the house, but is still not familiar to the New York public. Her charming interpretation of Smetana's Mařenka should cause her stock to rise; though the voice is not without some areas of weakness, Geyer possesses a winsome ebullience and a true, supple high register that open a wide, popular repertory to her.

Roberto Alagna – trumpeted here as the tenor of the coming century – can hardly be called unknown; but his unlucky debut last year made it important for him to get off to a new start this season. He appeared without fanfares in two old productions created for other tenors: first in *L'elisir d'amore*, then in *Rigoletto*. Thus it was possible to consider him objectively.

In Verdi's complex character study, he was an engaging, youthful, agile Duke, and the voice was fluent and seductive – though in "Questa o quella" the conductor Carlo Rizzi drove the orchestra with such rigid insensitivity that Alagna's charm was almost obliterated. It emerged later, and he was particularly effective in the duet with his Gilda, the crystalline Ruth Ann Swenson. Only Alagna's frequent, awkward and inappropriate interpolated laughter was jarring. A stronger conductor would have made him change his mind.

As the City Opera's season draws to its close, the most interesting event has been the new production of *Les Contes d'Hoffmann*, notable for its use of the recently devised "grand opera version" by Michael Kaye. Prepared on the basis of many previously unavailable documents, this Hoffmann has a darker hue than the familiar, problematic score. In addition to some unfamiliar numbers (including an aria for the Muse), it eliminates some spurious pages.

The City Opera's production – cobbled up by John Conklin from the skeleton of Ming Cho Lee's design of almost 20 years ago – seemed uninspired (the usual bits of furniture hanging in mid-air, among other clichés); but musically it shone in the conducting of Robert Duerr. He made a coherent team from an adequate, if not scintillating cast, in which Olga Makarina stood out as Olympia.

William Weaver

INTERNATIONAL ARTS GUIDE

AMSTERDAM

CONCERT
Concertgebouw Tel: 31-20-6718345
● Michael Chance: performance by the countertenor, accompanied by cellist Lucia Swarts and harpsichordist Siebe Henstra. The programme includes works by Purcell, Handel and Monteverdi; 8.15pm; Nov 25

OPERA
Het Muziektheater Tel: 31-20-5518117
● L'Orfeo: by Monteverdi. Conducted by Stephen Stubbs, performed by the Tragicomedia & Concerto Palatino and the Vocaal Ensemble. Soloists include John Mark Ainsley and Juanita Lascarro; 8pm; Nov 28

BERLIN

CONCERT
Konzerthaus Tel: 49-30-203090
● Kammersymphonie Berlin: with conductor Achim Zimmermann, soprano Carola Nossek, alto Caren van Oijen, tenor Christoph Späth, bass Andreas Kohn and the Berliner Singakademie perform works by J.S. Bach and Mozart; 8pm; Nov 24

OPERA
Staatsoper Unter den Linden Tel: 49-30-20354438
● Götterdämmerung: by Wagner. Conducted by Daniel Barenboim, performed by the Staatsoper Unter den Linden. Soloists include Eike-Wim Schulte, Günter von Kannen and Ulla Gustafsson; 4pm; Nov 24

BONN

OPERA
Oper der Stadt Bonn Tel: 49-228-7281
● Fidelio: by Beethoven. Conducted by Eugene Kohn and performed by the Chor and Extrachor der Oper der Stadt Bonn and the Orchester der Beethovenhalle Bonn. Soloists include Karen Huffstodt and Kurt Rydl; 7pm; Nov 23

DRESDEN

OPERA
Sächsische Staatsoper Dresden Tel: 49-351-49110
● Der Fliegende Holländer: by Wagner. Conducted by Siegfried Kurz, performed by the Sächsische Staatsoper Dresden. Soloists include Siegfried Vogel, Waltraud Vogel and Klaus König; 7pm; Nov 23

DUISBURG

OPERA
Theater der Stadt Duisburg Tel: 49-203-30090
● Il Barbiere di Siviglia: by Rossini. Conducted by Francesco Corti, performed by the Deutsche Oper am Rhein. Soloists include Andrea Edina Ulbrich and Stefan Heidemann; 7pm; Nov 24

GLASGOW

CONCERT
Glasgow Royal Concert Hall Tel: 44-141-3326633
● Royal Scottish National Orchestra: with conductor Sakari Oramo and pianist Anya Alexeyev perform works by Sibelius and Grieg; 7.30pm; Nov 23

INDIANAPOLIS

EXHIBITION
Indianapolis Museum of Art Tel: 1-317-923-1331
● Egypt in Africa: more than 80 art objects and artifacts are included in this exhibition exploring the African nature of ancient Egypt. Relationships that are explored include the use of headrests and masks, the manner in which works of art portray humans, the symbolism of animals, ancestor worship and divine kingship, tattooing and scarification, and mother and child figures; to Nov 24

LEIPZIG

CONCERT
Gewandhaus zu Leipzig Tel: 49-341-12700
● Gewandhaus Bläserquintett: with pianist Elisabeth Leonskaja perform works by Mozart and Beethoven; 6pm; Nov 24

LONDON

CONCERT
Barbican Hall Tel: 44-171-6384141
● Academy of St Martin in the Fields: with conductor Neville Marriner and pianist Alfred Brendel perform Beethoven's Egmont Overture, Op.84, Piano Concerto No.1 and Piano Concerto No.4; 7.30pm; Nov 25
● London Symphony Orchestra: with conductor Colin Davis, pianist Radu Lupu, soprano Hillevi Martinpelto and the London Symphony Chorus perform works by Mozart and Sibelius; 7.30pm; Nov 24
Purcell Room Tel: 44-171-9604242
● Gary Ryan: the guitarist performs works by Giuliani, McCombie, J.S. Bach and Piazzolla; 7.30pm; Nov 25
Royal Festival Hall Tel: 44-171-9604242
● Maurizio Pollini: the pianist performs Beethoven's Sonata No.1 in F minor, Op.2, Sonata No.2 in A, Op.2 and Sonata No.3 in C, Op.2; 7.30pm; Nov 24

MADRID

EXHIBITION
Museo Cerralbo Tel: 34-1-5473646
● El Marques de Cerralbo: exhibition devoted to the collector, politician and archeologist Enrique de Aguilera y Gombao (1845-1922), on the occasion of the 150th anniversary of his birth; to Nov 30

NEW YORK

CONCERT
Avery Fisher Hall Tel: 1-212-875-5030
● Czech Philharmonic: with conductor Jiri Belolávek and violinist Alyssa Park perform works by Smetana, Brahms and Dvořák; 3pm; Nov 24
Merkin Concert Hall – Abraham Goodman House Tel: 1-212-5013330
● Anthony Michael Saridakis: the tenor performs Italian and French songs and arias; 8pm; Nov 23

JAZZ & BLUES
Blue Note Tel: 1-212-475-8592
● NYU Concert Jazz Ensemble: with special guest Dave Stryker; 9pm & 11.30pm; Nov 25

PARIS

CONCERT
Théâtre des Champs-Elysées Tel: 33-1 49 52 50 50
● Ensemble Orchestral de Kanazawa: with conductor Hiroyuki Iwaki and violinist Jean-Pierre Wallez perform works by Takemitsu, Prokofiev, Mozart and Beethoven; 8.30pm; Nov 25

EXHIBITION
Musée d'Orsay Tel: 33-1 40 49 48 14
● De l'Impressionisme à l'Art Nouveau: this exhibition features works acquired by the museum in the 1990s. Ranging from Impressionism to Art Nouveau, the display includes works by Daumier, Bonnard, Carpeaux, Maillol, Burne-Jones, Whistler, van de Velde, van Gogh, Vallgren, Kupka and others; to Jan 5

ROME

CONCERT
Accademia Nazionale di Santa Cecilia Tel: 39-6-3611064
● Musica Antiqua Köln: with conductor Reinhard Göbel perform works by Handel, Veracini and Telemann; 8.30pm; Nov 23

VIENNA

OPERA
Wiener Staatsoper Tel: 43-1-514442960
● Salome: by R. Strauss. Conducted by Peter Schneider, performed by the Wiener Staatsoper. Soloists include Gertrude Jahn, Heinz Zednik and Bernd Weikl; 8pm; Nov 24

WASHINGTON

EXHIBITION
Freer Gallery of the Smithsonian Institution Tel: 1-202-357-2700
● Telling Tales in Japanese Art: an exhibition of 22 examples of Japanese narrative painting dating from the 13th to the 20th centuries. Narrative paintings combine words and images that illuminate and are inspired by literature; from Nov 23 to May 1

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17.30
Financial Times Business Tonight

CNBC:

08.30
Squawk Box

10.00
European Money Wheel

18.00
Financial Times Business Tonight

Philip Stephens

It takes two to tango

Seen from Brussels, the UK has now reached a crossroads in its stormy relationship with the other members of the European Union

On Monday, Malcolm Rifkind, foreign secretary, opens a spacious new office building for the British Permanent Representation to the European Union. A stone's throw from the European Commission, it is another monument to the steel-and-smoked-glass school of architecture which has ruined the city of Brussels. Maybe it was chance, or perhaps unintended foresight, but the Foreign Office has chosen to rent rather than to buy. Either way, it was a prescient move. We cannot now take for granted that word Permanent on the plaque outside.

It is easy to get over-excited by Britain's spats with its continental neighbours. For the Tory sceptics, these disputes have replaced diplomacy as war by another means. In truth, they are mostly trivial.

The row over the working time directive is a good example. The directive is a relic of a bygone age. The hysteria owes more to posturing than substance. Ministers have been heard gently mocking John Major for taking it all so seriously.

As time goes by, however, this comfortably sanguine view of the procession of cross-channel conflicts misses something important – a cumulative corrosion of mutual trust and respect in the relationship. The sceptics at Westminster are no longer alone in contemplating divorce. Britain's partners have started to wonder about how much longer the marriage will last.

These gloomy thoughts were stirred during a trip to Brussels this week. Do not misunderstand. I found not a single official or diplomat who wanted Britain to wave goodbye. French and German, Spanish or Greek, they would all prefer a reconciliation. Tramping the corridors of Eurocracy you encounter in such officials more sorrow than anger, as much confusion as belligerence.

And yet. There is a pervasive sense that things cannot go on as they are. The others have chosen their destiny. Mr Major, or Tony Blair if he replaces him in Downing Street, will have to make up their minds. A single currency will soon be a reality, redrawing the political as well as the economic boundaries of the continent. The choice is Europe or not.

The picture, of course, is not monochrome. To say that others are marching in perfect step is absurd. There are many rows still to be had over economic and monetary union. The differences over the fiscal stability pact which Bonn insists must accompany a single currency are a proxy for a deeply serious rift about whether Spain, Portugal and Italy can join the vanguard of Emu. Most likely only six or seven will be there at the outset, with the others given a promissory note.

On another level, a few days in Brussels dispels many of the myths which feed the appetite of anti-Europeanism at Westminster. The sceptics who now fill the leadership vacuum in the Tory party see the Commission as the Great Satan of European federalism. The prosaic reality is that this institution is weaker than for a decade. A paper tiger, one official admitted. The bold vision which flowed from Jacques Delors, when he was Commission president, has dimmed, replaced by an erratic flow of consultation papers. By temperament, Jacques Santer, his successor, has much in common with Mr Major. He is a tactician not a strategist.

The Commission is divided over the issues which touch the rawest nerves around the cabinet table. Padraig Flynn, the social affairs commissioner, boasts of another wave of social legislation. His colleagues show little enthusiasm. If it would but recognise it, Mr Major's government has won the argument on competitiveness and flexible markets. Ask Bonn if it thinks tighter regulation of labour markets is a recipe for a successful single currency.

There is a curious irony also in the parallel relationships in Brussels of Whitehall officialdom and its ministerial masters. Kenneth Clarke, chancellor, is an important exception, but otherwise politicians are paying the price of obstructionism. They are heard in respectful silence. And then ignored. Their officials, though, are highly respected. Thus Nigel Wicks from the Treasury is steering the complicated technical debate on the single currency. As chairman of the monetary committee, he will get the credit when the deal is finally done. The French *Enarques*, never humble in these matters, are openly admiring of their British interlocutors.

Many of these officials are as bemused and depressed as their continental colleagues by the antics of the Tory party. You can almost touch their frustration. Surely the politicians understand that the European enterprise has always been about the pooling of sovereignty? Why else would they have passed the 1972 European Communities Act, which states in unambiguous terms that European law may take precedence over that made in Westminster? How else could Margaret Thatcher have put her name to the Single European Act, and Mr Major his to the Maastricht treaty?

The present intergovernmental conference demands no great leap towards federalism. There are difficult issues, of course, particularly over flexibility and immigration. But there is little appetite among others for a big institutional shake-up. Chancellor Helmut Kohl has only so much political capital. He intends to invest it in persuading the German people to give up the D-Mark for the euro. The original aim of the conference was to pave the way for rapid enlargement to the east. The feeling now is that the entry of Poland and its neighbours will have to take second place to Emu.

Yet it is difficult to see how Mr Major's government could now sign any treaty. Obduracy on so many fronts has deprived it of the capacity to negotiate. Absolutism removes the incentive for others to trim their ambitions. So in Paris, Bonn and Brussels they are waiting for the general election. If the Conservatives win, they will start looking for new agreements outside the framework of the Treaty of Rome. If Mr Blair emerges the victor, a deal would be possible, if not quite as easy as some would hope.

But it is the single currency which defines the future. Some of us in the pro-European camp have never been enthused by this particular project. It bears the mark of the 1980s, when an iron curtain hung across Europe and the balmy days of economic boom were projected into an indefinite future. But that is as may be. It is hard to see what might derail or significantly delay it. And Britain's decision will ultimately shape its wider destiny.

No one in Brussels expects sterling to be in the first wave. Many think Mr Blair would find it almost as hard as Mr Major to join during the next parliament. Much better, some say, for the pragmatic Brits to participate once a single currency is working. But if a British government opted to stay out indefinitely, as the Conservatives in their present frame of mind would certainly do, there would be little purpose in remaining in the Union.

This, of course, is what the sceptics want. Their challenge now is not only to any new enterprise but to the Treaty of Rome, the very basis of British membership. That message is now being heard abroad. If Mr Rifkind looks closely on Monday, he will see another plaque. It commemorates the official mission which sought to secure British entry to Europe in 1961. President Charles de Gaulle of France vetoed the attempt. It will be a useful reminder, perhaps, that others sometimes decide Britain's place in Europe.

View from Brussels: Major (inset) must make up his mind

Differences treated with respect

Jurek Martin on the improvement of relations between the Clinton administration and China

If ever China, the prickly giant-in-the-making, wanted to be treated with respect by the US, this is the week when it has reason finally to be satisfied. The Clinton administration has been sending words and signals that bilateral relations in its second term will bear little resemblance to its first – if Beijing and the US Congress play ball.

President Bill Clinton, in Australia en route to a Sunday session with President Jiang Zemin in Manila, denounced "containment" of China as "a negative strategy" and promised to "sustain an engagement". The two countries "will continue to have our differences, especially in the area of human rights", but these would be dealt with "openly and respectfully".

Mr Warren Christopher, soon to depart as secretary of state, delivered a similar message in Shanghai yesterday during his first visit to China since March 1994. "Containment and confrontation will hurt both our nations," he told students at Fudan University, adding that "nations with accountable governments and open societies make for better neighbours".

In Washington, the US-China joint economic commission also met for the first time in 2½ years. Significantly, it was addressed by Mr Robert Rubin, the powerful treasury secretary whose influence over trade policy is set to grow in Mr Clinton's second term. His focus was on the development of China's capital markets and his offer of US expertise was unqualified.

If all goes well at Sunday's meeting, Al Gore, vice-president, will go to China early next year, setting the stage for an exchange of official visits by Presidents Clinton and Jiang later. Either Mr William Perry, the secretary of defence who has established good communications with the Chinese military, or his successor will go to Beijing in the first half of 1997.

But US officials concede that fine words and plans cannot eliminate many of the tensions afflicting the relationship. These cover not merely human rights abuses but also Chinese exports of missile and nuclear technologies and compliance with the rules of the World Trade Organisation, which China wants to join.

Mr Qian Qichen, the Chinese foreign minister, also made clear to Mr Christopher this week that Taiwan remained the core issue in the Sino-American relationship. He demanded the US reduce and ultimately stop arms sales to the island state. That might not pass muster with the US Congress, which incensed Beijing last year by forcing Mr Clinton to grant a US visa to President Lee Teng-hui of Taiwan.

This month's US general elections, in the opinion of one senior European ambassador in Washington, did "little to clarify" congressional attitudes towards US external policy in general and China in particular. But it does not help the administration's preference for rapprochement that the Senate foreign relations and armed services committees remain in the hands of Mr Jesse Helms and Mr Strom Thurmond, the staunchest anti-communists (and friends of Taiwan) on Capitol Hill.

Equally, the administration has long argued that relations with China should not be dependent on annual renewal of most favoured nation trading status, still contingent on human rights and other factors. But there seems little disposition on left or right in Congress to relinquish this weapon on trading status or China's membership of the WTO.

This week Senator Jay Rockefeller, the West Virginia Democrat, and seven colleagues on the finance committee wrote to Mr Clinton insisting on "stringent standards" as a condition of WTO membership for China and warning against "long transition periods" for compliance with its rules. A comparable bill, sponsored by Mr Richard Gephardt, the Democratic minority leader, is in front of the House.

US business groups are mostly firmly on the side of helping the development of China into a fully fledged market economy. But Mr Robert Kapp, president of the US-China Business Council, concedes this could mean "wrenching changes in China's economic, social and even political structures" that must pose severe questions for the present and future Chinese leadership.

Mr Harry Wu, the Chinese-American activist jailed by Beijing for his investigations into labour camps, doubted this week that the party and military leadership could answer those questions. Even Mr Winston Lord, chief China hand at the state department, spoke recently of "possible instability".

Mr Christopher's negotiations in China this week suggest the US has settled for a policy of incremental improvement on a wide range of issues – with no single issue such as human rights being allowed to dominate the relationship.

He was told, for example, China would not export nuclear technologies that are not subject to international safeguards. That is not a breakthrough, but it certainly was not a rebuff. It could also help US industries bid for contracts in Chinese civil nuclear power projects.

But consistent US engagement will not be enough to shape the relationship with China. Even Washington's policymakers will be holding their breath when the word finally comes through that Deng Xiaoping, the supreme leader, has died.

LETTERS TO THE EDITOR

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Misreading of Italy's strategy

From Mr Fabrizio Galimberti.

Sir, Your leader "No to the fudge romana" (November 20) (and Lex's comments on the same day) lambast Italy's budgetary efforts. They represent, it is said, one-off measures that betray the spirit of Maastricht and do not ensure convergence.

Markets beg to differ, if one is to judge from the narrowing of the BTP-bund spread and from the fall of Italian long rates to English levels. Your opinion, moreover, completely misreads Italy's budgetary strategy. Last July the Italian government laid out – and parliament approved – a three-year budget plan which set an objective of 4.5 per cent of gross domestic product for the central government deficit in 1997 and 3 per cent or lower for 1998 and onwards. A minor change was effected in September: through a series of admittedly deliberate one-off measures the 1998 objective was carried back to 1997. All this has not changed the commitment to keep, for 1998 and onwards, a deficit of 3 per cent or lower (if anything, it has been made easier through the all-important reduction of interest rates).

It is clear that the markets recognise the progress made on the fundamentals. Italy's inflation has fallen this month to the 2 per cent-plus level last attained in 1969; the budget's primary surplus is one of the highest in the world; and Italy keeps consuming less than it produces (which means that all of the deficit is financed at home). If Italy is allowed into Emu, its excess savings will be made available to finance the euro-deficits of other euro-countries.

If you do not like the "F" (fudge) factor please do not blame Italy. Blame the childish proponents of the "three comma zero in 1997" school of thought. Forcing weak continental economies to adopt a pro-cyclical fiscal policy was a far inferior choice to the other two Maastricht-compatible options: to look at cyclically-adjusted deficits or to move the year of reckoning to 1998.

Creative accounting has been instigated by unrealistic goals. But all this should not obscure the fact that, underneath the fudge, real and lasting progress is being made, in Italy and in other countries, towards fiscal consolidation.

Fabrizio Galimberti,
12 Kooyongkoot Road,
Hawthorn 3122,
Australia

More of a sport than a profession

From Mr Andrew Campbell.

Sir, Lucy Kellaway's "basic ideas" on management ("Rummage for some commonsense ideas", November 18) seem hardly worthy of your decision to give more space to the topic of management. Let me offer some alternatives:

1. Good management means knowing your business: knowing what customers want and knowing how to give it to them efficiently.
2. Management is hard when your customers' needs are changing in ways you find hard to satisfy, when your competitors have developed better ways than you of giving customers what they want, or when competitors choose to price close to cost.
3. Many managers are very good: they outperform competitors. But, not all managers of successful businesses are good: many are merely administering the hard work of their predecessors.
4. The rise of management gurus and management books results from a widely held misconception that management is a profession that can be taught. The reality is that it is more like a sport; and each market place is a different sport requiring a coach who understands that market place.
5. Good managers, however, do find writing on management useful. It gives them ideas, and keeps them thinking about how to play their game better than their competitors.

Lucy Kellaway appears to see management as an administrative activity (how to organise well). I see it as an entrepreneurial activity (how to serve customers better than competitors).

Andrew Campbell,
director,
Ashridge Strategic Management Centre,
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Economic view at odds with backing Dole

From Mr Paul Davis.

Sir, Michael Prowse's article on the current US economic standing ("Hubris on Wall Street", November 18) reinforces the "Goldilocks" scenario now being experienced on Wall Street. The article is somewhat at odds with his recent endorsement of a Bob Dole presidency. If an economic "nirvana" has been attained the 15 per cent tax cut would have led to the deficit growing, a balanced budget difficult to justify and interest rates raised from their current natural level.

The day Michael Prowse credits the Clinton administration for opening up foreign markets, regulatory reform, investing in new technology, and downsizing government, all contributing to sustained economic growth, I'll stop purchasing the Financial Times.

My subscription for the remainder of the Clinton presidency to follow shortly.

Paul Davis,
26 Suffolk Road,
Sidcup, Kent, UK

Passive aid no help to farmers

From Professor Gordon Conway.

Sir, I agree with Sir Michael Franklin (Letters, November 15) when he argues for an open and free world trade system and for more investment in agricultural research. But he spoils his case in the last paragraph of his letter, when he calls for "developing technologies that work in the soil and climatic conditions of Africa and passing all this on to working farmers".

Sustainable agricultural development can only be achieved if farmers are involved in the development process, not simply as passive recipients of new technologies but as active partners in the process of analysis, design and experimentation. New analytical tools, such as participatory rural appraisal and its relatives, have permitted scientists and farmers to engage in powerful, constructive dialogues. And there is well documented evidence from the international agricultural research centres and from the work of numerous non-governmental organisations, and government agencies also, of successful participatory, research and development programmes.

As the Consultative Group for International Agricultural Research has recognised, the green revolution took as its starting point the biological change inherent in producing new high-yielding food crops and then looked to determine how the benefits could reach the poor. Now we need to reverse the chain of logic, starting with the socio-economic demands of poor households and then seeking to identify the appropriate research project. This requires active participation by the poor themselves and, as experience amply demonstrates, it works.

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COMMENT & ANALYSIS

FINANCIAL TIMES

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Banking barriers

Gradual erosion is eating away at the long-standing separation of commercial and investment banking in both the US and Japan. In the US, Mr Eugene Ludwig, the Comptroller of the Currency, has just announced plans to allow national banks to underwrite securities and sell insurance in certain circumstances, further undermining the 1933 Glass-Steagall Act which forced banks to sell off their securities operations.

In Japan, the new government of Mr Ryutaro Hashimoto has promised sweeping deregulation of the financial system, which could mean big changes to Article 65, the local equivalent of Glass-Steagall. Japan has failed to deliver many promised deregulation packages but this time the government seems made of sterner stuff: witness its decision this week to close Hanwa Bank, the first time in living memory it has allowed an insolvent bank to fail.

Banks in both countries should be freed from these antiquated shackles and allowed to compete in other sectors of the financial services industry, as has long been the case in Europe. Their conventional banking is under threat from a host of rivals. Freedom will help them stay competitive and spread their risks more widely.

But in both countries some powerful lobbies are opposed to change: three times in the past 10 years the US Congress has lost its nerve when seemingly poised to repeal Glass-Steagall, the last time in 1995 when the insurance agents' lobby stymied action.

In the US, it has been left to the regulators to make piecemeal progress. Mr Ludwig is pushing forward the frontier by using his powers to decide what constitutes business which is "part of or incidental to" banking. Similarly, the Federal Reserve has enabled a handful of domestic and foreign banks under its jurisdiction to generate 10 per cent of revenues from the securities industry – a level which it is considering raising to 25 per cent.

This may be progress, but it is hardly satisfactory that the Comptroller and the Fed consider banks' requests on a case-by-case basis, without reference to a broader framework incorporating rules on firewalls between businesses and investor protection. It also allows banks' rivals to claim, with some justice, that they are not getting reciprocal rights in banking.

The best answer remains comprehensive legislation, and it is possible a fresh bill will be introduced in Washington next year. The hope must be that Mr Ludwig's bold move will act as a catalyst for congressional change.

Eurosquabble

The spectacle of the British parliament bickering yesterday about whether it should debate European monetary union was not an inspiring example of sovereignty in action.

Of course MPs must debate Emu. The question of whether the UK should try to join in 1999 is one of the most important facing the country for half a century.

However, yesterday's quarrel, partly manufactured by anti-Europeans, was very far from the measured consideration which this issue requires. Moreover, the immediate cause of the squabble, three documents setting out mechanisms for implementing Emu, were not worth the fuss.

These EU documents reflect agreements which Britain has already signed up to in the Maastricht treaty in 1992. They are working papers for discussion by European ministers and are therefore by no means the final rules which Britain will be required to accept or reject as conditions for a single currency.

Europhobe MPs who want to stir up confusion and doubt may pretend that this is another example of the Brussels bureaucrats trampling on British democracy. It is nothing of the kind.

When the EU countries have agreed a final draft of the conditions for a common currency, parliament will have the opportunity to vote on them. It would be quite absurd to expect all elected members of all 15 parliaments to debate and somehow to agree every detail beforehand. That is not how the EU works – nor how it could conceivably work.

Even so, when 150 MPs said they wanted to debate the matter, the government would have been wise to find the time. An adjournment debate on Europe (without a substantive vote) has been promised for December. However, an additional discussion of the fiscal and monetary questions surrounding Emu in advance of the Dublin summit next month would at least have shown whether MPs can debate these complex issues sensibly.

This, unfortunately, is parliament's real difficulty. Both main parties are so deeply divided and, in the pre-election period, party politics has become so much of a scrummage that honest argument is trampled underfoot.

The long term advantages of fiscal discipline and monetary stability, how these might be achieved within Emu, and what would be the risks as well as the rewards, may all be the subject of honest disagreement.

But among the raucous chants of party loyalty, and the frenzies of inchoate nationalism from a minority of Europhobes, the voices of common sense are difficult to hear. If parliament wishes to speak for the nation on a subject of historic importance, such voices must speak a great deal louder.

Jets to Jakarta

Companies and countries that engage in the arms business cannot afford to be all that choosy about their customers. Yesterday's British government decision to authorise the further sale of Hawk fighter aircraft to Indonesia is thus understandable, even if it sticks in the throat of those who worry about the appalling record of President Suharto's regime in East Timor.

The argument for restraint has some moral appeal, but in reality it is weak. It is not as if Indonesia was intending to use the Hawks directly against the long-suffering population of the former Portuguese colony. Indonesia's statement that it will not do so is credible. It needs riot control weapons in East Timor, not Hawks.

Withholding the sales would not make the slightest difference to President Suharto's basic position that autonomy for East Timor is unacceptable. That line is unlikely to change as long as he is alive.

Were Britain to forgo the opportunity, others would take it up. They could justifiably argue that a well-equipped Indonesia is important to maintaining a strategic balance in a region made volatile by the emerging strength of China.

The UK government must make clear, though, that its decision should not be seen as support for Indonesia's occupation of East Timor. Jakarta's annexation of the territory has never been recognised by the United Nations and remains, therefore, in contravention of international law.

Worse still, the occupation has involved unspeakable atrocities, including the infamous Dili massacre of 1991 when, according to the UN, at least 150 east Timorese demonstrators were wantonly murdered by Indonesian troops.

It is no good Indonesia arguing that most East Timorese accept Jakarta's rule. No one can be sure of that because they have not been asked, and President Suharto is vehemently opposed to a referendum.

But if withholding weapons sales will not make any difference, then what will? There is some evidence that the weight of public opinion does make its mark in prompting Indonesia to seek a diplomatic solution.

The Suharto regime was visibly shocked by the award of the Nobel Peace Prize to East Timor's Bishop Carlos Ximenes Belo. President Suharto is a rare visitor to the west because of public condemnation of his East Timor policy.

Democratic governments are duty bound to remind him of their electors' concern. He should be in no doubt that Britain's offer to sell him Hawks does not make him or his government *persona grata*.

Despite the failure of the Russian Mars mission, the country has an enviable record in launching satellites, writes **John Thornhill**

Watch this space

The crash of a Russian rocket in the Pacific Ocean this week, destroying a $300m (£180m) research mission to Mars, has come as a bitter blow to the country's space industry. Observers have been quick to pounce on the spectacular failure as yet another example of the collapse of a once-mighty Russian industry.

But perhaps the more remarkable story of recent years has been how Russia's space industry has survived at all, amid the economic turmoil, and how it is now grabbing an increasing share of the world satellite launch market.

While Monday's crash will do nothing to help the Russian space programme's reputation, it is a rare failure for the Proton rocket and for an industry with an unrivalled history of success.

The museum at Russia's Baikonur space centre in the central Asian state of Kazakhstan charts 39 years of space history, illuminating some of mankind's most stunning achievements as well as individual acts of heroism.

The exhibition halls display the rudimentary control panels used to launch Russia's early space rockets as well as Ivan Ivanovich, the first human mannequin to return from space. More modern exhibits trace the development of the Proton rocket programme, which has more than 230 successful launches to its credit.

Mr Yaroslav Nechyosa, the museum's director, relates how a group of single-minded Soviet scientists first pitched their tents at this desolate site in the middle of a windswept desert in 1955. Six years later, Yuri Gagarin blasted off on his historic mission.

"The first stone-walled building here was built for a computer not a person. That is why we were the first in space," he says.

Since then, Baikonur cosmodrome has been the site of about two-thirds of the world's 3,000 space launches, bringing immense international prestige for its scientists and engineers. Much of Russia's space technology, such as its liquid fuel rocket engine designs, remains unrivalled anywhere else. "Russia was, is, and will be a great space power," runs the slogan above the museum entrance.

Many feared these skills would be dissipated as the Soviet Union broke apart. Starved of government funds and shorn of many of its military orders, the industry appeared to face a bleak future as the cold war ended and economic priorities changed.

As early as 1987, the Khrunichev space centre, which manufactures most of Russia's space rockets, started diversifying. That year it manufactured 200,000 titanium bicycles to offset the anticipated decline in orders.

The industry's scope to forge international links also appeared limited by the obsessive secrecy in which it was cloaked. The lingering wariness of western countries, fearful of transferring technology that could be diverted for military ends, heightened the mutual distrust.

But against the odds, Russia's space industry has successfully launched itself on a new mission of discovery: into the world's commercial satellite market. The multi-million dollar contracts Russia is now winning have allowed the industry to plan its longer-term future with more confidence and help support prestigious research projects, such as the orbiting Mir space station.

Last year, the Khrunichev centre formed a joint venture with Lockheed Martin, the US aviation group, to market their satellite services. This venture, International Launch Services, aims to win 50 per cent of the international commercial launch market by the end of the century using both Russian Proton and US Atlas rockets.

"Our order book is full until 1999 and our clients are having to wait," says Mr Alexander Lebedev, Khrunichev's deputy director, in an interview at the centre's vast plant on the edge of Moscow. Contracts have been signed for 20 commercial launches over the next five years worth more than $1bn.

The most dramatic sign of Russia's arrival on the world launching scene came in September when a Proton rocket blasted off from Baikonur with the Inmarsat-3 telecommunications satellite and successfully deployed it in geo-stationary orbit.

The success rate of the Proton rocket, used for both the Inmarsat launch and the ill-fated Mars mission, has been 96 per cent, extremely high by international yardsticks and better than Ariane at 93 per cent.

Inmarsat, an international communications concern representing 79 countries, had previously used several launching systems, including the US Atlas and European Ariane 4 rockets.

But Mr Ramin Khadem, Inmarsat's finance director, says the Proton rocket has both reliability and cost advantages over western launch systems. And at $36m, the cost of the Inmarsat launch was significantly lower than the $60m-$100m charged by western satellite companies – although Russian prices are likely to climb sharply as the economy recovers. However, some of the cost advantage was eroded by the need to spend an additional $10m to adapt the Inmarsat satellite to Proton's specifications.

"Costs are going up all the time so Russia has a small window of opportunity to establish itself as a reliable partner for satellite launches," Mr Khadem says. "We took a risk, but I am happy to say it all went very smoothly."

Khrunichev is involved in several other important programmes, such as the Iridium project devised by Motorola, the US telecommunications company, which aims to launch 66 satellites to provide global coverage for its cellular telephones. It has also signed a joint venture agreement with Dasa, the German aerospace company, to convert the military SS-19 rockets for civilian use.

While the number of orders from the Russian military have all but dried up, Khrunichev is beginning to win commercial orders from other Russia organisations. The Most media group is planning to use Proton rockets to launch satellites to build a pan-Russian satellite television service. The Russian central bank will also build a satellite telecoms network to link the country's regional branch networks.

Khrunichev is still formally wholly owned by the government, although it appears to enjoy a considerable degree of managerial freedom. "We are quite satisfied being a state enterprise," says Mr Lebedev. "Everything here belongs to the state, and the state trusts us to manage the centre. But we work like a commercial enterprise and we can invest our profits 100 per cent as we want."

But Khrunichev may soon have to invest on a substantial scale to build a new cosmodrome in Brazil, Australia or Papua New Guinea, enabling it to launch rockets on a more favourable trajectory. Baikonur's location far from the equator means Khrunichev has to use more powerful – and expensive – rockets than Ariane to put heavy payloads into orbit.

The $500m-$600m cost of such a project would have been regarded as small change at the height of the Soviet space programme. But in a graphic sign of the extent to which the space industry's mentality has changed, Mr Lebedev says Khrunichev will only invest in such projects if they produce a commercial return.

Just back from London, where he has been discussing financing options with local banks, Mr Lebedev has developed an easy familiarity with the western financial world and complains it is too expensive to borrow money at Libor+7 (7 per cent basis points over the London Inter-Bank Offered Rate).

But he vows the Russian space industry will remain competitive: "We have to think about what our competitors are doing and when they take one step we have to take two steps immediately."

Competing cosmic forces

Russia's failed Mars mission might lead some to discount the country's future as a leading space power, but Arianespace will not be among doubters.

The French-based, 53-company consortium is the world's leading provider of satellite launchers with more than 50 per cent of the market.

But Arianespace faces increasing competition from the Russians, Chinese and a new joint venture led by Boeing which plans to launch satellites from a converted off-shore oil rig.

"We're very concerned about them," says Mr Claude Sanchez, Arianespace's spokesman. "When you're in the leading position, you can't rest on your laurels."

Seven consortia are now capable of launching satellites. In addition to those behind the Russian Proton, they are:

- **Arianespace, which this year suffered a severe setback when Ariane 5, its newest launcher, failed shortly after blast-off from French Guiana. Arianespace says it plans two further test launches next year, with the hope that Ariane 5 can begin commercial operations in 1998.**
- **Lockheed Martin of the US, which manufactures the Atlas rocket and which has formed a joint venture with Krunichev and RSC Energia, another Russian company.**
- **McDonnell Douglas of the US, which is developing the Delta III rocket to launch bigger satellites than Delta II, its predecessor. Hughes of the US, the biggest manufacturer of commercial satellites, has agreed to use 10 Delta IIIs.**
- **Boeing, which has teamed up with Kvaerner, the Norwegian shipbuilder, RSC Energia and NPO-Yuzhnoye, a Ukrainian rocket manufacturer, to create Sea Launch. It expects its first off-shore launch in 1998. Hughes has agreed to use 10 of these too.**
- **The Chinese Long March, which has been plagued by a series of accidents.**
- **A Japanese programme, headed by Mitsubishi, which is expected to make its first commercial launch in 2000.**

Although other countries, such as Brazil, are developing launchers for small satellites, Mr Stéphane Chenard, a space analyst with Euroconsult, the Paris-based consultancy, believes no other country will emerge in the next few years capable of launching the large satellites required for modern communications.

Michael Skapinker

OBSERVER

Toronto's tall tales

■ There's no holding back Canada's Reichmann family. Four years ago, the world's premier property developers were heading for oblivion following the collapse of Olympia & York, their flagship company. Now they are bouncing back.

Paul resurfaced last year at the head of a consortium that bought Canary Wharf, the London Docklands development seized by O&Y creditors in 1992. Stephen Philip and son-in-law ... set up business in Toronto managing several former O&Y buildings, and winning contracts on others.

Now older brother Albert and nephew Abraham have emerged at the head of Heathmount Arts ... which has been short-listed to develop a C$700m entertainment and sports complex in suburban Toronto. The project will include a 500ft indoor ski slope, ice hockey rinks and cinemas. After all their troubles, it's good to see they still think big.

Sleeping dogs

■ Cleaning ladies at the Philippines' Subic Bay, the venue for the leaders' summit of the Apec trade group, have been doing some last minute dusting of the 18 Mediterranean-style villas built for each of the visiting heads of state. The support staff were delighted yesterday to receive a visit from Philippine President Fidel Ramos, who inspected everything, including the bathrooms.

His attentiveness was especially endearing as the top dogs – who include President Bill Clinton and China's President Jiang Zemin – will only be spending half-an-hour at their specially-designed $1m abodes. The villas, which will be named after the head of state who slept there, will then be sold off at $4m apiece – the higher price presumably reflecting the extra value of receiving a presidential flush.

Only one of them – Sir Julius Chan, prime minister of Papua New Guinea – plans to stay overnight. That should be worth an extra $6m.

Post haste

■ Feuds die hard in Hong Kong, particularly when business barons' egos are at stake. Yesterday, the Eastern Express newspaper rose from the grave to haunt Robert Kuok, the Malaysian-Chinese tycoon who counts the South China Morning Post among his many businesses.

The Express, which was launched in 1994 by the Ma family's Oriental Press group, bit the dust four months ago after failing to win sales and advertising from the Post, despite a fierce battle and a regular exchange of barbs.

But that was not its final word. Yesterday's two-page special edition – subtitled The Myanmar Connection – posed questions about Kuok's alleged business links in Burma, calling for a government investigation and a response from the Malaysian-born business magnate.

They are likely to hear first from Kuok's lawyers. In a statement to the stock exchange the Post rejected any Burmese business ties and said that its chairman had commenced legal proceedings.

Whatever the outcome, yesterday's salvo is sure to rekindle the row between Kuok and C.K. Ma, who launched the Express and who has taken its failure badly. Unlike his English-language daily, this one could run and run.

Wings of wax

■ Another entry for the "how the mighty have fallen" sagas comes from Romania, where today parliament reconvenes after recent general elections.

The Icarus in this case is Ion Iliescu, whose seven-year presidency came to an abrupt halt in last Sunday's run-off. Now this former senior aide to dictator Nicolae Ceauşescu must content himself with being a mere senator.

That's not all. In the house, Iliescu will have to answer to none other than Petre Roman, the new Senate president. The two were once inseparable – Roman was Iliescu's first prime minister after Ceauşescu's bloody overthrow in 1989. But they have been bitter enemies since Roman's government was toppled in September 1991.

Now Roman is back in, as part of the new coalition, and Iliescu and his ex-communist cronies are getting their taste of the miseries of opposition.

Too little, too late

■ Russia's cynical population barely blinked this week when Vadim Kisin, a 34-year-old government deputy minister, was sacked for tax violations and for having allegedly stashed more than $300,000 away in a foreign bank account. But the cynics were divided in terms of their surprise. One group were astonished that he had whittled away so little. The other, ultra-embittered segment of the citizenry suggested that might explain why he was caught...

Financial Times

50 years ago

Unilever Group

When the year 1945 was rung out, the value of the assets of Lever Brothers & Unilever Ltd and its Dutch associate, N.V., was £241,494,000. The turnover of the main commodities marketed by the group last year was £307,348,000. These figures give a measure of the vast trading empire administered by the two undertakings. Evidently, the task calls for unusual qualities: high executive ability, close control of day-to-day detail, bold long-term planning and an international approach. In fact these qualities have, on the evidence of the group's record, been characteristic of the group's management, and have helped to carry it through economic blizzards and the world war with unimpaired financial standing.

South African Miners

Mr. J.H. Hofmeyr, Minister of Finance, stated that the Government will take an early opportunity to introduce and pass legislation giving statutory recognition to native trade unions. He added, however, that "in view of special circumstances" it was not intended to recognise a trade union for native mineworkers.

FINANCIAL TIMES
Friday November 22 1996

Bank of Japan moves to reassure investors

No need for concern, Hanwa savers told

By William Dawkins in Tokyo

Mr Yasuo Matsushita, governor of the Bank of Japan, yesterday reassured depositors their savings would not be endangered by the closure of a small regional bank.

The closure of Hanwa Bank, the first forced shutdown of this kind in Japan in more than 50 years, was ordered by the finance ministry after an audit showed the bank's liabilities exceeded assets by just over Y30bn ($270m).

"As in every past failure of financial institutions, all deposits will be protected. There is thus no need for depositors to be concerned and we strongly hope they will act sensibly," he said.

Despite Mr Matsushita's warning, depositors queued for hours to withdraw their money from Hanwa, which has been allowed to stay open while the ministry and central bank draw up a new organisation to wind down its activities and liquidate assets.

Mr Matsushita declined to say whether the central bank would make a direct contribution to depositors, but he made clear their losses would be covered by the deposit insurance system.

Hanwa's insolvency, as in most of Japan's many financial collapses in recent years, resulted from the bank's inability to collect loans taken out to buy overvalued property at the height of the 1980s asset price bubble.

Industry analysts welcomed the development as an overdue sign from the finance ministry that it was prepared to let the weakest banks go out of business, rather than following previous policy of keeping them alive artificially.

Mr Matsushita said that in the absence of support from larger financial institutions, the authorities had no choice but to close Hanwa. Finance ministry officials declined to say whether they expected more collapses, as forecast by bank industry analysts.

Financial markets took the Hanwa failure in their stride. The Nikkei 225 index fell by 0.22 per cent to 21,143.44, bond prices fell slightly and the dollar ended the day in Tokyo little changed at Y111.6.

In another reminder of the weaknesses in Japanese banks' management, the finance ministry yesterday said that it had launched an inquiry into why officials at the New York branch of Asahi, a leading commercial bank, had opened a confidential Federal Reserve document containing results of a Fed inspection of the branch.

Tokyo acts, Page 6; see Lex

Raisin price rises may lift cost of Christmas

By Deborah Hargreaves in London

Consumers may have to pay more for mince pies and Christmas puddings this year after a sharp increase in the price of Californian raisins.

Britons will bear the brunt of the price rise – caused by a shortfall in this year's grape crop – because they consume more dried fruit than anyone else in the world.

Prices have risen 10-15 per cent and are likely to get higher as the export season gets under way next month. "Prices in the shops will definitely rise, but it will be worse next year when there will be no stocks to carry over," said Mr David Rennell Pugh, managing director of Rennell Pugh, dried fruit importers in Chester, northern England.

Yorkshire Food group, the UK supplier of dried fruits and nuts, cited the poor raisin crop as one of the reasons for its second profits warning two weeks ago. The company, which has seen its shares tumble from 110p at flotation three years ago to 15½p yesterday, said the poor crop would lead to "substantial trading losses".

The UK imports about 9 per cent of the Californian crop, where production is estimated to have fallen to 380,000 tonnes this year from 450,000 tonnes last year. The fruit's quality was affected by cold weather late in the growing season.

Californian wine growers and juice makers have also increased their demands for fruit, leaving less for the export market. Meanwhile, heavy rains have destroyed about 30,000 tonnes of Turkish sultanas and Afghan raisins are difficult to import because of the civil war, according to Mr Rennell Pugh.

"The strength of sterling could help mitigate the price increases, but there is bound to be some resistance to higher prices later in the year," said Mr Yoav Gottesmann, chairman of Sundora, which imports dried fruit.

Californian raisins are generally regarded as the highest quality end of the market and traders say it is difficult to substitute sultanas. South Africa is the other important producer of raisins but its crop is much smaller.

Increasing demand from wine production and juice crushers has put pressure on farmers to divert fruit away from the export market. Prices have risen from 58-59 cents per lb to 65 cents per lb.

"It takes four to five tonnes of fresh grapes to make one tonne of raisins and they need to spend three to four weeks drying in the sun. It is much easier to sell to wine producers," said Mr Rennell Pugh.

THE LEX COLUMN

German word-games

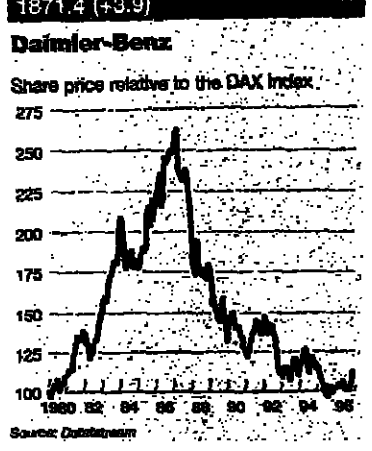
Bye-bye shareholder value; hello *Unternehmenswertsteigerung*. Two of Germany's leading advocates of shareholder value, Daimler-Benz's Mr Jürgen Schrempp and Veba's Mr Ulrich Hartmann, are eating their words. Such has been the union backlash that they will, in future, avoid the term when addressing German audiences (though Daimler will still use it when talking to Anglo-Saxon investors). Instead, they will refer to *Unternehmenswertsteigerung*, which means improving the company's value.

So what, one might ask? Nobody ever said shareholder value meant short-sighted profit-maximisation achieved by slashing jobs. If Daimler can placate its unions by using a German word which is not such a red rag to a bull, surely that is all well and good.

Yes, but only up to a point. After all, in the German tradition, a company exists to benefit all its stakeholders. *Unternehmenswertsteigerung* does not imply putting shareholders first. The risk is that Daimler will relax its efforts to improve returns, following the painful restructuring of the past year. If it was making a decent return, that would not matter too much, but it is still only earning about half its cost of capital. The recent pick-up in the share price does not disguise the raw deal shareholders have suffered over the past decade.

Any back-tracking would be bad not only for shareholders but also for German industry, which needs to improve its competitiveness. The faster Germany can lessen the tensions between employees and investors by turning workers into shareholders the better.

FTSE Eurotrack 200: 1871.4 (+3.9)



Japanese banks

The Japanese authorities' decision to close Hanwa bank represents welcome progress in the slow rehabilitation of the enfeebled banking sector. In the past the finance ministry offered life support to even the most moribund institutions. This time, with Hanwa's uncollectable loans roughly twice its capital, no mercy has been shown. The rights of depositors will be protected, but shareholders are likely to find their holdings worthless.

The change reflects a shift in philosophy. Tokyo has realised the need to give greater play to market forces if it is to secure its status as a premier financial centre – witness last week's "Big Bang" package of financial market deregulation measures. It is also evidence of increased confidence that the economy and markets are robust enough to withstand some bad news. The effects should be positive – allowing bad banks to fail will reduce overcapacity and encourage more prudent risk management.

Much more must be done, however, if Japan is to acquire a healthy banking system. Bad loans must be recognised and made public earlier. Accounting standards should also be revised to prevent problems being squirrelled away in unconsolidated subsidiaries. Most important of all, the system of cross-holdings that allows risky equity assets to be held against liabilities should be reformed. Doubtless there will be other casualties before these issues are resolved – but Hanwa marks a good start.

British Energy

Never mind the losses; just look at the cashflow. British Energy, the nuclear generator, is proving such a formidable cash machine that its net debts have nearly halved in just six months. As with Railtrack, there should be some very red faces in government at such clear evidence of overpadding of the privatised companies' balance sheets.

Investors, by contrast, should be laughing. After a wobbly start, BE shares have outperformed the market robustly. And nothing in yesterday's results suggested these gains were insecure. Not only have electricity prices held up but BE has squeezed 12 per cent more power out of its stations. Less impressive was a 6 per cent rise in underlying operating costs, after stripping out fuel and depreciation. But since BE recently promised to cut staff numbers by 30 per cent, its management probably deserves the benefit of the doubt on this score.

That leaves the question of how the stock should be valued. In theory, a company of this peculiarity has to be valued on discounted cashflows. The snag is that different models provide such wildly divergent results that, collectively, they say little. Some investors will conclude they should avoid the stock altogether. But just as many will look instead at the fully-paid shares' handsome 7.4 per cent prospective yield. On this measure, with cash coming out of BE's ears and a dividend cut looking implausible even on pessimistic assumptions, the shares still have a certain glow.

Glaxo Wellcome

Like most leading Western pharmaceutical companies, Glaxo leapt into the arms of Japanese partners when it pushed into the world's second largest drugs market several decades ago, and has lived to regret it.

Glaxo Wellcome has 2 per cent of the Japanese market, compared with its 5 per cent share of global drug sales. And key products, particularly Zantac, have failed to replicate their successes elsewhere. Glaxo's problems were exacerbated by having a partnership with a relatively small family group which called the management shots but did not want to put up more capital.

Glaxo has been slow to sort it out, but better late than never. By funding the £354m consideration with local borrowing, the deal will enhance earnings – hard not to, when you pay 0.5 per cent interest. And Glaxo can now turn its attention to Wellcome's separate Japanese joint venture. It is important the group gets a stronger structure in place for its new pipeline of drugs, particularly with growth in existing core markets slowing.

By contrast, the deal may be less welcome for Japan's domestic pharmaceutical groups. The flabby joint venture structure for Western interests in Japan kept the locals protected from the full rigours of competition. Life must inevitably get tougher at home, and they have all had little success developing any presence elsewhere.

Additional Lex comment on Safeway, Page 22

Beijing warns Disney over Dalai Lama film

By Tony Walker in Beijing and Christopher Parkes in Los Angeles

Beijing has warned Walt Disney that links with a Martin Scorsese film about the Dalai Lama would jeopardise the US entertainment group's ambitious expansion plans in China.

China had made it clear to Disney it wanted the film stopped, an official at the Ministry of Radio, Film and Television said yesterday.

"Our attitude is that we resolutely oppose such a plan," the official said. "So far as we know the film is going to be anti-China," he added.

Disney officials said the company had "no connections" with the production, which started filming in August. MCA said it sold the project to Disney last year as part of a package of Scorsese projects.

Scorsese transferred several planned productions from MCA's Universal Studios to Disney when Mr Michael Ovitz, his long-time agent, was appointed group president of MCA last summer. The disputed film, *Kundun*, is listed in trade publications as a co-production between Disney's Touchstone Pictures and Refuge Productions.

Buena Vista, another Disney company, is named as US distributor.

Mr Ovitz, who has spearheaded Disney's drive into the Chinese market and visited the country three times since his appointment, met President Jiang Zemin in April, when he was warned to be sensitive to Chinese culture.

Calls to Touchstone Pictures, the Disney studio listed as co-producer of the film, were referred to corporate headquarters, where repeated calls requesting clarification were not returned.

Causing offence in Beijing could lead to severe setbacks for any US entertainment group seeking to cultivate the 1.2bn-strong Chinese market. Disney and Universal are vying to open theme parks. Disney has selected sites in Shanghai and near Guangzhou in south China.

The company also has plans for animation studios, and publishing and film co-productions. It recently launched a children's radio programme, *It's a Small World*, with a potential audience of 400m.

Beijing and the Dalai Lama, the exiled spiritual leader of Tibet, are locked in a protracted struggle over the future of the region. Chinese officials frequently assail the Dalai Lama as a "splittist" seeking to remove Tibet from China's control.

Boeing deal

Continued from Page 1

operations under the alliance, still to be approved by the US, UK and European authorities.

Boeing said it had not yet decided which engines would power its Boeing 777s. The 757s will use engines made by Rolls-Royce of the UK, the 767s will be powered by engines from General Electric of the US and the 737s will have CFM engines, made by a joint venture between GE and Snecma of France.

Deutsche Bank funds

Continued from Page 1

opportunities in different markets. "We don't want to spoil this".

He said the decision to place ultimate supervisory responsibility with DWS – Germany's largest mutual fund operation, with about DM100bn under management – applied only to unit trusts and not to institutional asset management.

Mr von Heydebreck also said that the bank expected Imro to decide by Christmas on possible compensation for the loss of value of the three funds. Imro is conducting its own investigation into the affair.

"We are in the most intensive discussions with Imro and we both have the firm intention to see this resolved by the end of the year, as soon as possible," he added.

Deutsche Morgan Grenfell, the bank's investment banking operation, has dismissed five people for failure to control Mr Young and has also tightened up its compliance practices.

FT WEATHER GUIDE

Europe today

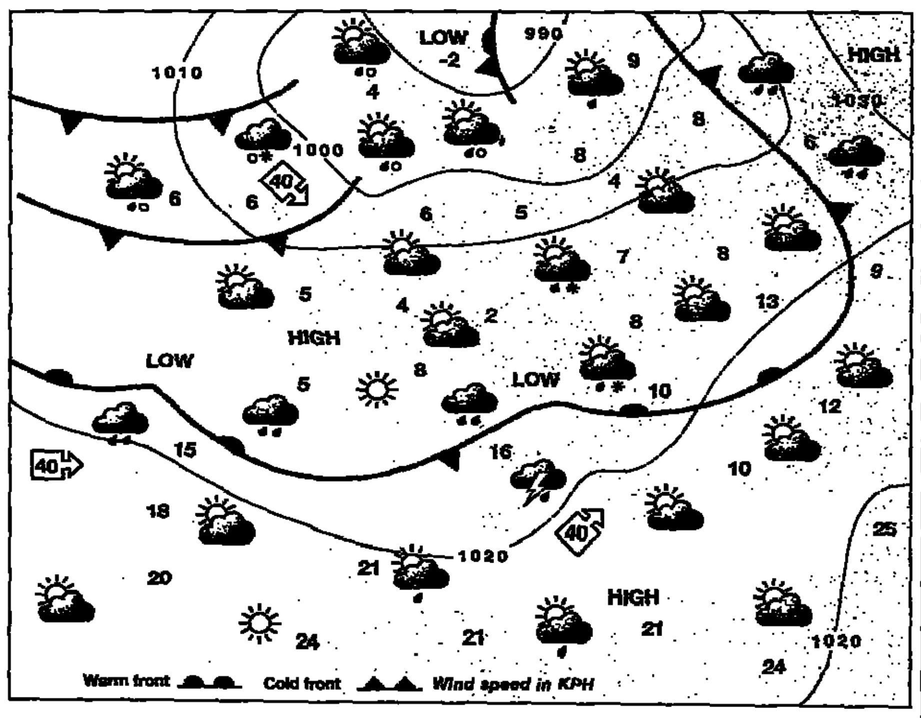
In the wake of a frontal system across Russia, a ridge of high pressure will stretch into western and central Europe, producing sunny periods and mainly dry conditions in most regions.

Later in the day, wintry showers from the UK move towards the north-western region of the continent. Most of Spain and Portugal will continue to be rather cloudy with outbreaks of rain across the north, Italy and the former Yugoslavia will have plenty of rain with snow or sleet possible in the northern regions.

Farther south-east, it will stay dry with sunny periods.

Five-day forecast

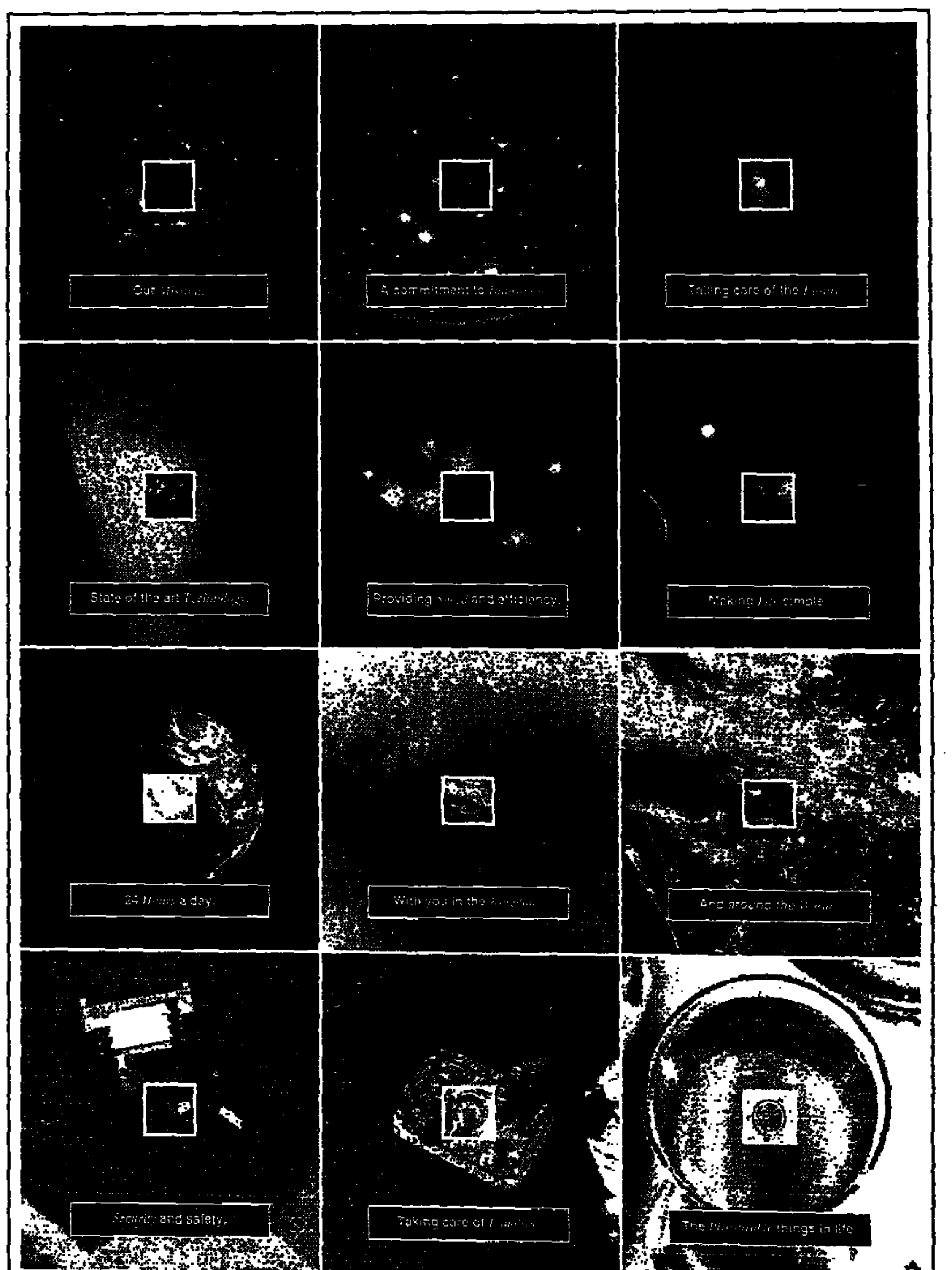
Most of north-western and northern Europe will continue to be rather cold and unsettled with frequent wintry showers. Most of the Mediterranean will have unsettled conditions with outbreaks of rain or showers. Central and eastern Europe will stay rather cold with wintry showers and sunny periods.



TODAY'S TEMPERATURES

Situation at 12 GMT. Temperatures maximum for day. Forecasts by Meteo Consult of the Netherlands

	Maximum	Beijing	sun 11	Caracas	fair 30	Faro	fair 18	Madrid	drzzl 15	Rangoon	shower 32
	Celsius	Belfast	hail 4	Cardiff	fair 7	Frankfurt	fair 6	Majorca	fair 19	Reykjavik	fair -8
Abu Dhabi	sun 28	Belgrade	rain 6	Casablanca	sun 20	Geneva	fair 5	Malta	shower 19	Rio	rain 26
Accra	fair 31	Berlin	hail 5	Chicago	fair 6	Gibraltar	fair 16	Manchester	shower 5	Rome	shower 18
Algiers	fair 22	Bermuda	shower 21	Cologne	fair 5	Glasgow	sleet 3	Manila	cloudy 29	S. Frsco	shower 17
Amsterdam	fair 7	Bogota	cloudy 20	Dakar	sun 27	Hamburg	hail 5	Melbourne	fair 16	Seoul	fair 8
Athens	fair 18	Bombay	sun 34	Dallas	fair 20	Helsinki	rain 7	Mexico City	sun 24	Singapore	rain 31
Atlanta	sun 15	Brussels	fair 6	Delhi	sun 27	Hong Kong	cloudy 23	Miami	fair 27	Stockholm	cloudy 4
B. Aires	shower 26	Budapest	fair 5	Dubai	sun 28	Honolulu	fair 27	Milan	cloudy 8	Strasbourg	fair 5
B.ham	fair 6	C.hagen	sleet 5	Dublin	hail 4	Istanbul	sun 18	Montreal	cloudy 1	Sydney	shower 16
Bangkok	fair 31	Cairo	sun 23	Dubrovnik	thund 13	Jakarta	cloudy 32	Moscow	rain 8	Tangier	fair 18
Barcelona	shower 18	Cape Town	sun 20	Edinburgh	hail 4	Jersey	shower 9	Munich	fair 6	Tel Aviv	sun 25
						Karachi	sun 29	Nairobi	cloudy 23	Tokyo	cloudy 14
						Kuwait	fair 25	Naples	thund 14	Toronto	cloudy 3
						L. Angeles	fair 19	Nassau	fair 28	Vancouver	fair 6
						Las Palmas	fair 24	New York	fair 8	Venice	shower 10
						Lima	cloudy 22	Nice	sun 18	Vienna	fair 6
						Lisbon	drzzl 18	Nicosia	fair 23	Warsaw	sleet 5
						London	fair 8	Oslo	fair 2	Washington	fair 9
						Lux.bourg	fair 2	Paris	sun 5	Wellington	fair 16
						Lyon	fair 4	Perth	sun 29	Winnipeg	fair -9
						Madeira	shower 21	Prague	fair 3	Zurich	fair 4



FINANCIAL TIMES
COMPANIES & MARKETS
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Friday November 22 1996

IN BRIEF

BAe talks hint at Euro consortium

British Aerospace yesterday took a step closer to forming a new consortium in European defence electronics, outlining a deal to take a minority stake in STN Atlas, a leading German supplier of military equipment. It is believed BAe is talking of paying about DM270m ($180.34m) for a 49 per cent stake.

Shares plunge in Johannesburg
A one percentage point rise for central bank market-rates pushed the rand ahead in the foreign exchanges, but created near-mayhem on the Johannesburg stock market where share prices plunged. At the close, the overall index was down 76.5 at 6,774.4. Page 36

British Energy deal struck
British Energy, the nuclear utility, said it had struck a 15-year deal with Southern Electric, the south of England electricity company, to develop a long-term electricity supply business. Page 22

Babcock lifts profit but cuts dividend
Babcock International, the engineering, facilities management and materials handling group, halved its interim dividend in spite of a 23 per cent increase in underlying first-half profits. The company, reporting pre-exceptional profits up from £2.2m to £2.7m, said shareholders would receive a reduced dividend of 0.625p – compared with 1.25p last time. Page 22

Gold price slips in London
Gold's dollar price fell to its lowest level for nearly two years in London with traders saying that producers and speculators both contributed to the drop. At the afternoon fix in London, gold slipped to $377 a troy ounce, the lowest since March 6 last year. Page 26

Telefónica revamps management
Mr Juan Villalonga, chairman of Telefónica, has revealed an overhaul of the Spanish telecoms group's top management ahead of its privatisation. Mr Villalonga has cut the management committee from 16 to 12 members and divided it into three areas. Page 16

Companies in this issue

Market Statistics http://www.FT.com

Chief price changes yesterday

FRANKFURT (DM)			
Rises			
Altana	1253	+	20.5
Porsche	1120	+	35
Falls			
Allianz	2792	–	21
Karstadt	541	–	5
Thyssen	278	–	5.5
Wella	815.8	–	11.2
NEW YORK ($)			
Rises			
Diana Corp	39¼	+	2¼
Millipore	41¾	+	2½
Panavision	19¾	+	2⅜
Falls			
Accustaff	20¾	–	2⅛
Interim Svce	36⅝	–	2⅞
Olsten Corp	14⅛	–	5¼
LONDON (Pence)			
Rises			
DBS Mngmt	495	+	40
Natl Power	452	+	17
Quadramatic	255½	+	32
Falls			
Baldwin	117½	–	12
Forward Grp	115	–	12½
NSM	23	–	18½
TORONTO (C$)			
Rises			
Cabre Expl	21.0	+	1.0
Metro-Rich	20.25	+	1.0
Northstar En	17.2	+	0.95
Falls			
Euro-Nevada	38.0	–	2.0
Gen Minerals	7.5	–	1.35
Veritas Engy	26.0	–	1.5

PARIS (FFr)			
Rises			
Air Liquide	782	+	6
AXA	307.1	+	5.1
Geophysique	392.9	+	22.9
Guilbert	940	+	25
Falls			
Canal Plus	1200	–	22
St Gobain	728	–	13
TOKYO (Yen)			
Rises			
Tokuyama	670	+	20
Falls			
Amada Co	941	–	32
Nippon Express	846	–	41
Nippon Road	715	–	35
Tsugami	394	–	19
Yaohan Japan	690	–	34
HONG KONG (HK$)			
Rises			
Chinese Est	9.05	+	0.8
Gt Eagle	28.8	+	0.8
Swire Pac A	72.25	+	1.25
Falls			
HSBC Hld	157	–	1.5
Hang Seng Bnk	90.75	–	1.75
New Asia A	35.0	–	1.0
BANGKOK (Baht)			
Rises			
Krungthai	113.0	+	9.0
Thai P&C Co	98.0	+	8.0
Tisco	39.0	+	3.5
Falls			
Presidnt Rice	20.5	–	2.25
Thai Tanakorn	40.5	–	4.5
Un Bk of Bkk	93.5	–	9.5

New York and Toronto prices at 12.30pm.

Five bid for Greek phones deal

Decision in January as international contest is narrowed down

By Kerin Hope in Athens

OTE, Greece's state-owned telecommunications company, is examining offers from five out of nine international operators shortlisted last month to help launch Greece's third mobile telephone network.

The five contenders are Telenor of Norway, Orange of the UK, Mannesmann of Germany, AirTouch of the US and the Swiss PTT. OTE says it will select a partner by the end of January for the $260m mobile project.

The rapid growth this year in subscribers to Greece's two rival GSM digital mobile networks has added urgency to OTE's plans to enter the mobile market. With almost 500,000 subscribers, a penetration rate of 2.5 per cent, Greece is one of Europe's fastest-growing markets for mobile telephony.

OTE aims to launch the new network in 1998 and hopes to capture a 30 per cent share of a mobile market projected to reach 1.2m subscribers by 2000.

Panafon, a consortium that includes Vodafone of the UK, France Télécom and Intracom, the Greek telecoms equipment manufacturer, has built a slightly larger market share than Telestet, controlled by Italy's Stet International, Nynex of the US and Interamerican, the Greek insurance group.

Panafon and Telestet have invested Dr140bn ($588m) in networks which cover more than 90 per cent of the mainland and the Aegean islands. Panafon says the number of subscribers will almost double this year to 460,000.

The two cellular operators have run fierce campaigns to boost market share ahead of OTE's entry into the mobile telephone field.

One analyst said: "There is a fear that after this year's spurt the market may reach a plateau sooner than had been expected. OTE is under pressure to select an operator that will be able to get the network up and running as fast as possible."

The other four operators on the shortlist were BellSouth Europe and SBC Communications of the US, Bouygues of France and TeleDanmark, the Danish state telecoms company.

CS First Boston, the international investment bank which advised the Greek government on the auction of two mobile licences in 1992, and Alpha Finance, the Greek investment bank, are advising OTE.

The new project will be launched by an OTE subsidiary, in which the international operator would have a 30 per cent equity stake and would also manage the network.

The company's equity capital would be around Dr50bn.

The Greek telecoms operator, which was floated on the Athens stock exchange earlier this year, says it is trying to improve competitiveness as fast as possible. It was excluded by the government from bidding for one of the two mobile licences awarded in 1992, on the grounds that it was too inefficiently managed to provide the required quality of service.

The European Union has questioned the Greek government over its decision to issue a mobile licence to OTE without holding an international tender in a decision that appeared to violate EU competition rules.

Allianz to take extra 20% MMI stake in $79m deal

By Nikki Tait in Sydney

Allianz, the German insurer, plans to strengthen its strategic relationship with MMI by raising its stake in the Australian insurance and financial services group from nearly 18 per cent to 38 per cent at a cost of A$100m ($79m).

At the same time, MMI will take a minority stake in Allianz's Singapore operations, which have been designated as the German group's Asian regional headquarters.

Allianz will pay A$4 a share to raise its MMI holding, a slight premium to the Australian group's current market price, which closed 6 cents higher yesterday at A$3.92.

MMI, which was floated on the Australian market by a New South Wales-based industry association two years ago, will acquire its 20 per cent stake in Allianz (Singapore) for A$23.9m.

The Singapore unit is mainly involved in underwriting various classes of general insurance. However, as the regional headquarters for Allianz's growing Asian operations, it will also become the focus for regional reinsurance business.

MMI, which will need shareholder approval for the deal, claimed the investment should be an "important strategic development" for the company, giving it access to the Singapore insurance market and to Allianz's regional reinsurance business.

MMI, which first forged the link with Allianz a year ago, has long sought to expand into south-east Asia.

Allianz will buy its MMI shares from the industry association, which at the time of the float pledged to keep a 45 per cent interest in MMI for two years. The deal will leave its remaining holding at 21 per cent, which it intends to retain for a further two years.

The two transactions are also being backed by a "business expansion agreement". MMI said this provided for the opportunity to acquire equity interests in Allianz's Asian operations, and for active support from the German group to develop an inwards reinsurance business.

Allianz's additional investment in MMI is subject to approval from Australia's Foreign Investment Review Board.

Buoyant Gucci to expand in overseas markets

By Alice Rawsthorn in London

Gucci, the Italian luxury goods group and one of the hottest fashion brands of the 1990s, plans to open three stores in Japan and two in China next year as part of an aggressive international expansion strategy.

Mr Domenico De Sole, president, said Gucci also intended to extend and refurbish its existing stores.

Gucci yesterday reported a 69 per cent increase in net revenue to $230.2m in the three months to October 31 from $136.1m in the same quarter of 1995.

Analysts expect continued growth for Gucci for the rest of this year. Mr Edouard de Boisgelin, luxury goods analyst at Merrill Lynch, expects pre-tax profits to double to $235m, from $113m, on revenue of $850m, compared with $500m.

Gucci's fortunes have been transformed in the three years since Mr Tom Ford, a young Texan, took over as chief designer and rejuvenated its fashion collections. LVMH, the luxury goods group, last month appointed new chief designers for three brands – Louis Vuitton, Christian Dior and Givenchy – to emulate Gucci's success.

Demand for Mr Ford's autumn collection has been so strong that many items sold out as soon as they went on sale.

The robust third quarter brought total revenue for the first three quarters of the year to $620.2m, an 81 per cent increase over the corresponding period last year.

Mr De Sole said he was "delighted" with Gucci's performance and "reasonably confident" about its prospects for the full year.

Gucci's shares, which have trebled in the year since it went public and risen sharply in recent weeks, fell Fl 9.70 to Fl 124.70 yesterday on profit taking.

The strongest product sector was leather goods, including luggage and bags, where revenue almost doubled to $129.3m during the third quarter. Shoes mustered a 69 per cent increase in revenue to $42.1m, from $24.9m.

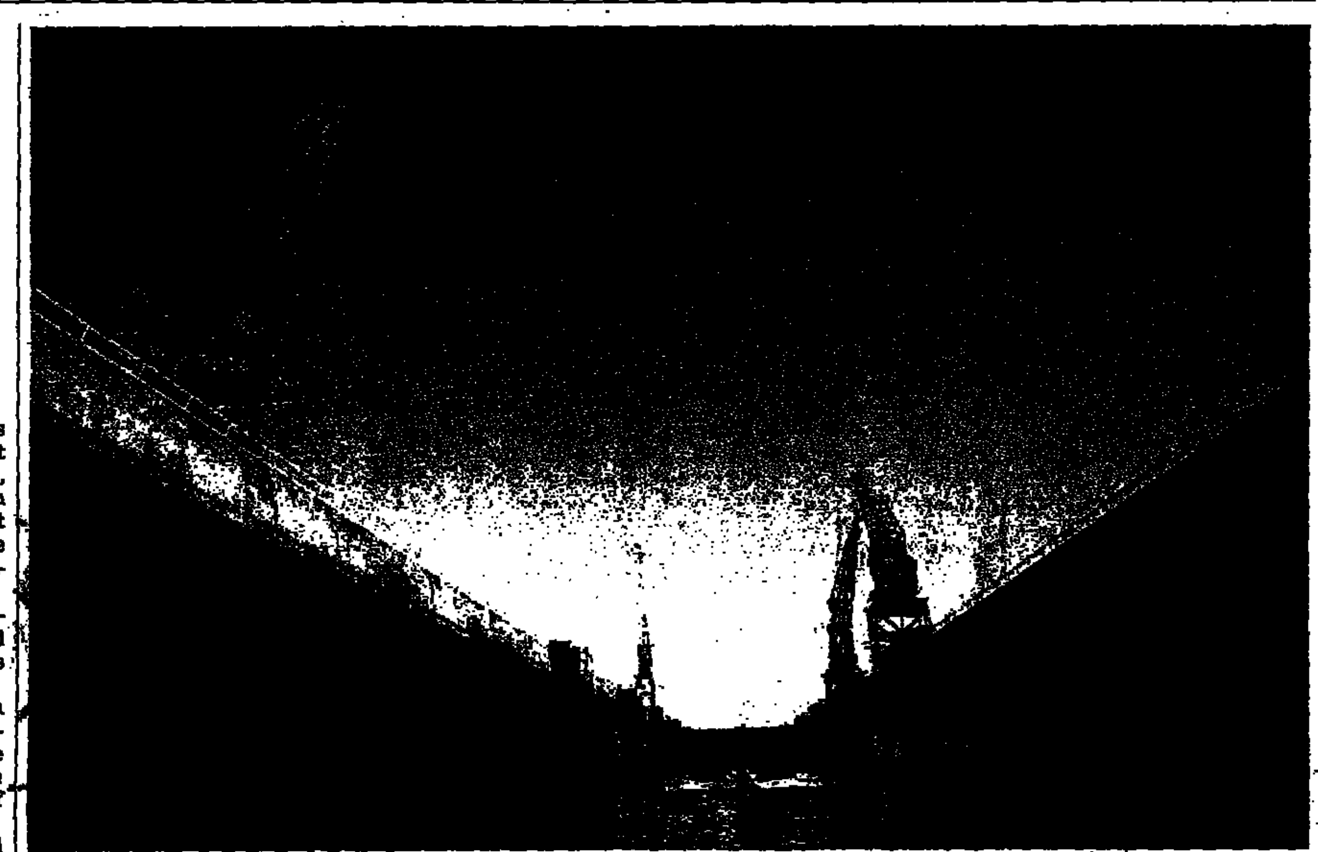
Fashion sales grew more modestly by 17 per cent to $22.9m, from $19.5m. Mr De Sole attributed the slower growth to space constraints in Gucci's Asian stores, where clothes were removed to make more room for shoes and bags.

He said wholesale sales of the spring range, which received weaker reviews than Mr Ford's previous collections, were higher than for the same season last year.

Over the next few seasons, Gucci intends to develop its luggage and silk ranges, and over the long term it plans to expand homewares to include a wider selection of products.

International expansion is another priority, starting next week with the opening of a Berlin store. There will be further openings in Osaka, Beijing, Shanghai and Frankfurt in spring 1997, and two in Tokyo next autumn.

Existing stores will also be refurbished in a programme expected to last three years, starting with the flagship outlets in Florence, New York, Beverly Hills, Dallas and Lon-



A&P chooses Hambros to plan venture

By Tim Burt in London

A&P Group, the UK's largest ship repair and conversion company, has appointed Hambros Bank to draw up plans for a possible flotation or trade sale next year.

The company – which is preparing its King George V dry dock (above) for today's arrival of the Cunard flagship QE2 at its Southampton yard – has asked Hambros to come up with detailed options for its future. These could include a possible merger or joint venture with German rivals Blohm and Voss.

"We are seeking their opinion mainly on whether to float this business or seek a third party buyer," said Mr Paul Lester, chairman.

A&P, which claims to be Europe's most profitable ship repairer, chose Hambros after it had received presentations from five revival merchant banks.

Mr Lester cited the bank's ship broking experience and corporate finance role with groups such as P&O as reasons for the decision.

The ship repairer, which is 41 per cent owned by Schroder Venture Managers, is this year expected to report pre-tax profits up from £3.74m ($6.17m) to about £10m, on increased sales of £130m (£66.4m). That improvement has been fuelled by some large refit orders, including the £12m contract for the QE2.

The order has created up to 1,000 temporary jobs at A&P's Southampton yard.

It is the QE2's first refit since a botched overhaul of 1994, which led to a wave of customer complaints and £8.4m in compensation claims.

Picture: Solent News

Glaxo to buy out partner in Japan venture for $594m

By Daniel Green in London

Glaxo Wellcome, the world's largest pharmaceuticals company, is to take full control of its Japanese joint venture, Nippon Glaxo, for Y66bn ($594m).

It is buying out its equal partner, Shin Nihon Jitsugyo, which will also receive Y1.88bn in lieu of dividends for 1996.

The move follows many years of disappointing sales in Japan, the world's second biggest pharmaceuticals market. The company hopes that by taking full control it can improve the performance. It also ends links with the Konishi family, owner of Shin Nihon Jitsugyo, that date back to 1954.

Glaxo joins a growing band of pharmaceuticals companies that have taken management control over their Japanese joint ventures. They include Merck of the US, Astra of Sweden and Germany's Bayer.

Until recently, a local partner was seen as necessary to sell drugs in Japan, where the healthcare culture differs from western countries. Some doctors, for example, sell the drugs they prescribe.

Glaxo still has a Japanese joint venture partner, Sumitomo, which it acquired when it bought the UK drugs company, Wellcome, last year. Glaxo has no plans to end the relationship in the short term.

Glaxo has been in talks for several years with the Konishi family over ending their venture. Mr Hiroshi Konishi, Nippon Glaxo's president, had been a full board member of Glaxo until January 1995 when

Hiroshi Konishi: relinquishing his position at Nippon Glaxo

interest over the talks. At the time, the reason given was that he had to concentrate on improving the joint venture's performance in Japan.

Glaxo Wellcome has 2 per cent of the Japanese pharmaceuticals market compared with 5 per cent of the world market.

Nippon Glaxo's net assets at June 30 1996 were Y30.7bn. Its after-tax profits for the first six months of 1996 were Y2.5bn. The deal will be financed through local borrowing.

Mr Hiroshi Konishi and Mr Akira Konishi, vice-president and general manager, will relinquish their positions but will remain members of the board of Nippon Glaxo.

Glaxo ended a joint venture in Korea in March 1995 after Korean law changed to allow 100 per cent foreign ownership.

Volvo GM has eye back on the ball

Swedish truck maker's loss-making US unit has a new model and a new chief

If a legal spat between two companies over a top manager who defects is a measure of his worth, then Volvo has reason to be pleased it hired Mr Marc Gustafson.

Mr Gustafson has just taken over as chief executive of Volvo GM Heavy Truck, the Swedish vehicle group's loss-making US subsidiary. After announcing the loss of 140 jobs – 10 per cent of the workforce – at its main plant in August, the US operation last month revealed further woes by reporting the closure of its Orrville, Ohio plant to staunch losses caused by a collapse in market share.

The sharply reduced sales and one-off closure charges lay behind the third quarter loss of SKr665m ($101m) reported by Volvo Truck Corporation, the Swedish parent company. That compared with profits of SKr1bn last year. The closure of Orrville alone accounted for a SKr700m charge, while Volvo GM's accumulated loss was SKr1.4bn in the first nine months of this year.

Mr Gustafson believes Volvo GM, in which the US carmaker has a 13 per cent share, will return to profit by 1998. Having moved from Mack Trucks, Renault's formerly loss-making US truck subsidiary, Mr Gustafson may carry more weight than a rank outsider. Although Mack is still a long way from glittering earnings, its survival is no longer at risk.

The recipe for Volvo GM's recovery will be similar to the one that Mr Gustafson, aged 44, helped push through at Mack. The emphasis will be on cutting costs and raising productivity to bolster the company against the volatile US heavy truck market. Other similarities will include looking for synergies with the European parent company and developing new models to restore sales.

The difference this time, however, is that much of the work has been done. Volvo GM has just rolled out its VN heavy truck. Mr Gustafson says the company has booked more than 2,000 orders since the September launch and hopes to deliver 700-800 units before the year-end.

Ironically, the VN, based on Volvo's highly-successful FH range in Europe, was one of the causes of its problems. So determined was the former management to ensure the new vehicle would be up to scratch that it partly ignored falling sales of Volvo GM's existing products, admits Mr Karl-Erling Trogen, chief executive of Volvo's truck division.

Although the VN is now on sale, the company will have to ensure production can be increased smoothly to make the most of the $160m investment in new paint and cab facilities installed at its New River Valley plant as part of the VN project.

The revamped factory will be instrumental in producing a wider variety of VN models than available on the Aero range, which it partly replaces. Lack of a sufficient variants of the Aero – to remain in production for another two years – is one reason why Volvo GM lost market share this year.

Most US truckmakers have reported lower earnings, not least because the Class 8 market for vehicles of more than 15 tonnes has contracted 15 per cent so far this year. But Volvo GM's sales have dropped by twice that. That means neither turnover nor output in 1996 will match last year's $1.6bn on 24,200 vehicles.

The fall stems from the company's relative dependence on the depressed "less than load" segment of the Class 8 market and its lack of a competitive vehicle in the buoyant "premium sleeper" sector.

Demand for "premium sleepers" – vehicles with luxurious living accommodation – has surged because of a dearth of experienced drivers. Hauliers have had to lure staff with superior vehicles to retain their loyalty. Self-employed long-distance drivers, meanwhile, have always preferred premium sleepers, to save on accommodation costs. Such vehicles now make up one third of the heavy truck tractor market.

A premium sleeper version of the VN should be launched in April. But Mr Trogen recognises broadening the range is not enough. Marketing is being stepped up to regain share. Early signs look promising: Volvo GM's share rose above 10 per cent in September after dipping to average 9.5 per cent in the first nine months.

The company has also instituted savage cost cuts, with target savings from 5 per cent for materials to 35 per cent for corporate expenses. The biggest cut has been Orrville. The plant, which builds the Aero, will close next April with the loss of about 800 jobs.

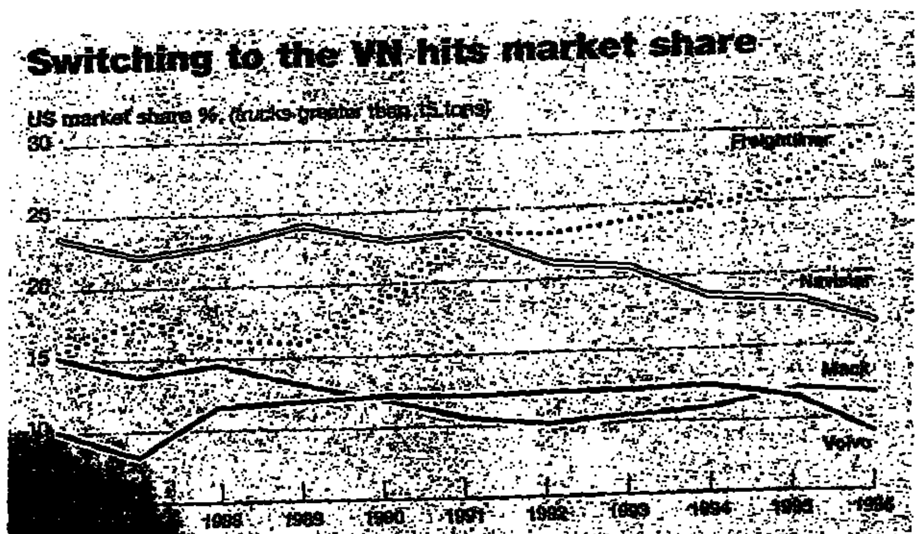
Mr Gustafson is confident Volvo GM will bounce back. His optimism is based on prospects for the VN, and on Volvo's broader strategy to integrate its international truck activities. The VN is part of a plan to develop new vehicles, variable for individual markets, using simplified basic modules. Having already spawned the VN, the FH will eventually foster another version for Brazil. Similar projects are planned for Volvo's lighter models. The aim is to cut the number of separate parts used from 40,000 in 1995 to 25,000 by 2000.

In the US, Volvo GM also wants to persuade more buyers to specify proprietary engines and gearboxes, as opposed to the industry practice of tailoring vehicles to individual customer's requirements with engines and gearboxes from outside suppliers.

Selling trucks with a manufacturer's own engine and gearbox offers long-term earnings on spare parts, as well as higher margins.

Volvo would like to raise the proportion of trucks sold with its own engines to 24 per cent next year from 9.7 per cent in 1993. The only other company which builds such "integrated" vehicles is Mack – another reason, perhaps, for hiring Mr Gustafson.

Haig Simonian



Volvo's VN heavy truck

Telefónica revamps management

By Tom Burns in Madrid

Mr Juan Villalonga, who was appointed chairman of Telefónica last June, has revealed a sweeping overhaul of the Spanish telecoms group's top management ahead of its forthcoming privatisation and the sector's deregulation.

Mr Villalonga has reduced Telefónica's management committee from 16 to 12 members, 11 of which were announced yesterday, and divided the committee into three areas.

The changes aim to tighten the chairman's hands-on management style and focus the group more tightly on business profit centres.

The government is due to sell its remaining 21 per cent stake in Telefónica in late January or early February next year in a disposal that will raise more than Pta469bn ($3.7bn) at current market prices.

Later next year, a second operator will begin offering basic telephony services in Spain, and by December 1998 the domestic telecoms industry will be fully liberalised.

Mr Villalonga, a close friend of prime minister Mr José María Aznar, was appointed Telefónica chairman shortly after Mr Aznar took office at the head of the new centre-right government.

Joining the telecoms group from Bankers Trust, he has brought two former colleagues from the US investment bank to the group's corporate centre – created during the management overhaul. The centre consists of five members and forms one of the three areas of the slimmed-down management committee.

Mr Villalonga has also brought in four more outsiders as senior executives of the telecoms group. Of the 11 management committee members, six have joined the company since Mr Villalonga was appointed chairman.

A surprising feature of the overhaul is that the position of finance director, one of the posts in the corporate centre area, has been temporarily left vacant. The company said the position would be filled in January.

A second management committee area, termed business units, divides Telefónica's operations into five revenue-raising divisions which will each be responsible for their own profit and loss accounts.

These profit centres comprise mobile services, companies, residential accounts, Telefónica International, which manages subsidiary companies in Latin America, and international, a unit which will focus on Unisource. This is Telefónica's alliance with the Dutch, Swedish and Swiss telecoms operators.

The third area in the management committee is known as resource units and has two divisions, one dealing with infrastructure and another with resources.

● Shares in Aguas de Barcelona, the water treatment group, fell Pta70 to Pta5,080 yesterday amid speculation that IBV is to sell around half of its 10.3 per cent stake, Reuter adds from Madrid. IBV, a joint venture between the Iberdrola electrical utility and Banco Bilbao Vizcaya, said it would make a statement today.

Banking and insurance lift ING

By Gordon Cramb in Amsterdam

Strong performances by ING's banking and insurance divisions pushed the Dutch financial group's net profits 24.1 per cent ahead to Fl 2.34bn ($1.4bn) in the nine months to September.

The company strengthened its full-year forecast, and said it expected a marked increase in earnings per share, which for the nine months stood at Fl 3.23, compared with Fl 2.75 in the same period last year. In August, ING said that earnings would be higher than 1995 – when, adjusted for a subsequent stock split, Fl 3.84 a share was recorded.

Operating expenses were swelled in the nine months by provisions of Fl 150m on the insurance side and Fl 125m in banking. These were made in part because of the outlay on information technology needed to adjust to the planned introduction of the single European currency in just over two years, and to problems many computer clocks will have with the year 2000.

Personnel costs were inflated by hiring specialists to deal with those issues, as well as by ING's international expansion and the introduction of a 36-hour working week among Dutch bank staff.

Banking operations, including Barings of the UK and an initial contribution from Poland's Bank Slaski, lifted profits 26.9 per cent to Fl 1.62bn before tax. Net interest income rose 13.2 per cent to Fl 5.21bn while commission income jumped 35.1 per cent to Fl 1.98bn.

The increase was helped by higher commission income recorded by the other banking operations, as well as Barings. These ranged from securities and corporate finance and higher fees for asset management, the group said. The interest margin narrowed to 2.46 per cent from 2.49 per cent at the end of 1995.

In insurance, pre-tax profits rose 16 per cent from a year earlier to Fl 1.72bn. Premium income for life business was up 11 per cent at Fl 11.53bn. But it rose only 4.5 per cent on the non-life side to Fl 5.46bn, hampered by a severe winter and storms in the US. Underwriting expenditure rose 12.7 per cent to Fl 18.40bn.

Both insurance divisions performed well in Australia and the Netherlands, where reduced state protection has led to a strong demand for health policies. Group assets at September 30 stood at Fl 465.5bn, up 17.5 per cent since the start of the year.

● Two smaller Dutch bancassurance groups plan to merge to create an institution with nearly Fl 40bn in assets, in a further consolidation of the sector.

Reaal, based in Utrecht, and SNS, of Den Bosch, said yesterday they had launched a study into the possibilities for integral co-operation which should be concluded in the first half of next year.

Reaal derived 87 per cent of its income last year from insurance while SNS, which would account for Fl 27.5bn of combined assets, drew 73 per cent of its revenues from banking. The groups, which together employ about 4,400 staff, said the lack of overlap would minimise any impact on jobs.

Dresdner to strengthen investment banking

By Andrew Fisher in Frankfurt and Simon Kuper in London

Dresdner Bank planned to step up its investment banking activities next year through a closer integration of UK-based Kleinwort Benson, which would manage the group's global corporate finance and equities business from London, Mr Hansgeorg Hofmann, a director, said.

But derivatives, foreign exchange and bonds activities, in which the German bank is strong, would continue to be managed from Frankfurt, he added.

Dresdner also wanted to co-ordinate group-wide project financing – carried out in London, Frankfurt, Singapore, New York and Madrid – under one manager. It had not yet been decided whether this would be done in Germany or the UK. Kleinwort said no jobs would be cut in any of its divisions.

Mr Hofmann said Dresdner intended to become a leader in investment banking in Europe, competing especially with US investment houses. It would then look to other markets such as Asia.

The bank has already merged its Tokyo and New York activities with Kleinwort Benson. The full investment banking integration takes effect in January.

Explaining why Dresdner had taken a cautious approach towards integrating Kleinwort Benson, which it bought last year for DM2bn ($1.3bn), Mr Hofmann said the German bank did not want to force the pace or try to change the culture by hiring a host of new people. "Everything has been fairly noiseless," he said. "We don't want to go in with our Teutonic boots. We want to give people time to get used to us."

Dresdner's approach has been far less aggressive than that of rival Deutsche Bank, which has spent heavily to expand its Deutsche Morgan Grenfell investment banking operation. But Mr Hofmann said combining the Dresdner and Kleinwort operations "cannot be forced overnight".

He said Dresdner wanted to develop primary equities business in London through Kleinwort Benson, which is strong in research and marketing. "We also want to build up a cross-border M&A [mergers and acquisitions] business. We have an excellent position in M&A in Britain but we have to build up the sort of presence in Germany that Dresdner Bank alone could never do."

The investment banking plans, approved by the board last night, will be announced in more detail early next year.

Dresdner, by choosing to keep managing its currencies operations from Frankfurt, joins several other banks which have recently decided to restructure their foreign exchange divisions around their home bases. The German bank's decision suggests that continental European cities such as Frankfurt and Paris can remain viable foreign exchange centres, even if the arrival of the single currency ends trading in European Monetary System currencies.

Kleinwort said: "Dresdner Bank was always bigger in currencies than we are. But London is the world's pre-eminent centre for the currency markets." This autumn NationsBank, Bank of America, HSBC Markets and several other banks have shut down some of their struggling foreign exchange operations and concentrated more of the trading at their home bases.

George Soros: becomes a leading shareholder in Moulinex

Moulinex shares surge as Soros takes stake

By David Owen in Paris

The surprise arrival of Mr George Soros, possibly the world's best-known speculator, as a leading shareholder in Moulinex had a predictably buoyant effect yesterday on the French household appliance group's shares.

They soared on the static Paris market and, despite losing ground late in the day, closed up FFr1.40, or 1.3 per cent, at FFr112.50.

That represents an advance of almost 68 per cent since the end of last year and nearly 40 per cent since June. This was when Mr Pierre Blayau, the recently arrived chairman, unveiled a restructuring plan, drastic by French standards, that involved 2,600 job losses – equivalent to more than 20 per cent of its workforce – and the closure of two French factories.

The plan came in response to four consecutive annual losses. It is designed to cut the group's industrial costs by 25 per cent and ensure its continued independence.

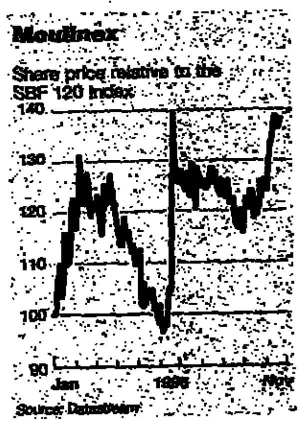
A spokesman for Mr Soros in New York would not be drawn yesterday on what had motivated the Hungarian-born speculator's investment. It was thought, however, that his move was unlikely to lead to a takeover bid for the company.

Moulinex had no comment either. But a spokesman for Euris, in effect the company's largest shareholder, interpreted the move as a sign that Mr Soros believed in the group's recovery. He said the investor had not contacted Euris before purchasing his shares, which were valued, at last night's closing price, at just over FFr174m ($34.4m).

Those familiar with Mr Soros's methods said it was not unusual for him to take stakes in industrial companies or to invest in France.

News of the investment first emerged on Wednesday evening in a disclosure by SBF, the French stock markets association. This revealed that three entities controlled by Mr Soros – Quantum Partners LDC, Geosur and Lupa Family Partners LP – had bought a combined 5.48 per cent stake in the group.

For the year to March 31, Moulinex reported a loss of FFr702m – the biggest in its 60-year history – including a FFr600m provision for the restructuring plan. In the summer, Mr Blayau revealed that the group was studying an increase in shareholders' funds.



The Moulinex chairman has said he is convinced that if in the next two years the group did not make clear it appreciated the need to implement reforms, it would fall into the hands of a foreign competitor. It was probably not Mr Soros he had in mind.

Observer, Page 13

Rheinmetall says it will pay $550m for STN

By Peter Marsh and Michael Lindemann in London

Rheinmetall, the German defence and automotive parts conglomerate, yesterday said it would pay DM550m ($367m) to take over STN Atlas, the maker of sonars and torpedoes left over from the Bremer Vulkan bankruptcy this year.

Berlin-based Rheinmetall said it had teamed up with Badenwerk, the south-west German electricity utility which will help finance the deal, and with British Aerospace, the UK defence group.

The three companies are in the final stages of talks which could see BAe take a stake of up to 49 per cent, worth about DM270m. The remainder would be taken by Rheinmetall.

Badenwerk was only helping to finance the deal and would not have any management control, executives close to the deal said last night. There was some confusion, however, as to how far talks between the various companies had gone.

BAe stressed that talks with Rheinmetall had not been completed, even though the German group said a final deal had been struck to take over STN. BAe said the size of its final stake would depend entirely on how big STN's marine electronics business was. "If the naval electronics business is worth 30 per cent of STN overall, then that is all we will pay," BAe said.

STN's naval electronics business specialises in sonar, radar, torpedoes and other sensors, which BAe is eager to bolt on to its existing operations.

The Bremen-based company was one of the few profitable parts of the Bremer Vulkan shipping group which went bankrupt earlier this year, reporting net profits of DM32.5m on sales of DM1.45bn.

One analyst familiar with BAe said the STN stake marks a significant inroad into the European market for defence products. "The deal marks a further effort for companies to line themselves up strategically to get a better long-term position in the European defence electronics industry."

It is believed BAe sees the venture as helping it to line up a good position to supply electronic systems to the German navy – something the German navy is nervous about. It signalled this summer that because STN is one of the leading European manufacturers of these products, it should remain in German ownership.

Rheinmetall has been eager to control STN because it also makes the fire control system for the Leopard II tank, made by a unit of the Mannesmann engineering conglomerate.

Mannesmann had also bid for STN, hoping to integrate the fire control systems with its existing operations in order to be able to offer a complete tank system.

SNI sets target for turnover growth

By Wolfgang Münchau in Frankfurt

Siemens Nixdorf Informationssysteme, the German computer group, yesterday set itself a target for double-digit annual turnover growth.

Mr Gerhard Schulmeyer, chairman, said: "We must learn as a company to achieve double-digit growth rates."

In the last financial year to end-September, the company achieved a 6 per cent increase in sales to DM13.6bn ($9bn), with orders up 7 per cent to DM13.9bn.

Siemens, SNI's parent group, reported the important financial data of its divisions, including SNI, when it announced its results earlier this month.

SNI managed to maintain a modest level of profitability after breaking into the black for the first time in the previous year.

Pre-tax profits fell 19 per cent to DM52m in 1995-96, but net profits were up 26 per cent at DM29m.

The main reason for the pre-tax decline was a DM51m write-down charge for the company's 12.5 per cent stake in Escom, the computer group which hit difficulties earlier in the year.

SNI said yesterday that excluding extraordinary items, pre-tax profits would have been DM133m, about twice the 1994-95 level. The printing division contributed to profits for half a year.

SNI also has a minority stake in Vobis, another German computer group. Mr Schulmeyer said he did not expect to enter into further strategic alliances in Europe, but would be considering partnerships outside Europe.

The company is keen to grow in the US and Asia. In the last business year, SNI managed sales increases of 2 per cent in Germany, when economic growth ground to a halt. But international sales were up 13 per cent.

In the last financial year SNI divested its high-performance printing division, which it said was no longer a core business. The company's main business activities are personal computers, which make up a quarter of sales, mid-range and mainframe computers and application software.

Lithuanian gas group plans share offering

By Matthew Kaminski in Kiev

Lietuvos Dujos, Lithuania's national gas company, plans to offer 16 per cent of its shares in a closed tender early next year.

The state-owned company, which operates the Baltic country's pipeline network and services gas consumers, wants Gazprom, the Russian gas monopolist, to buy part of the equity, according to Mr Kestutis Sumacheris, general director.

Lietuvos Dujos, which owes Gazprom $31m for supplies this year, expects a sale to be accompanied by a long-term gas contract with its single supplier. An equity stake in Lietuvos Dujos would give Gazprom a toehold in Lithuania and secure supplies to the Russian enclave of Kaliningrad.

The Russian group has pursued the acquisitions partly to alleviate the chronic non-payment problem in the former Soviet Union. Lithuanian law forbids debt for equity swaps.

Gazprom owns parts of gas companies and networks in Estonia, Latvia, Belarus and Moldova. Mr Stephen O'Sullivan, an oil and gas analyst at MC Securities in London, said: "Gazprom has moved into owning existing companies because it gives them access to the downstream margins that it felt it had not been getting before." A move into Lithuania would be in line with its strategy to integrate with the markets it supplies.

A meeting of Lietuvos Dujos shareholders had been called for December after Coopers & Lybrand, the accountancy firm, has completed an audit. If approved, the sale would take place in the first quarter of 1997, Mr Sumacheris said yesterday.

"We decided against placing our shares with portfolio investors because the company needs active participation in management and the passing of know-how," he said. The company will handle the sale and does not plan to bring in a western adviser. But the share offer might be split. Germany's Ruhrgas and Gaz de France have expressed an interest, Mr Sumacheris added.

A western partner would help alleviate possible opposition from nationalist politicians, who returned to power in last month's elections, to Russian ownership of a company in what many consider the strategic energy sector.

The Lithuanian government owns 90 per cent of Lietuvos Dujos, with employees owning the remainder..

The 66m shares that the company wants to sell are expected to be offered at a nominal price of 1 litas, which would give Lietuvos Dujos a market capitalisation of 399m litas ($99.75m).

Analysts believe the company could be underpriced, given that its sales this year will be $160m. But the country's energy sector has been hamstrung by the government's slow liberalisation of prices.

Starting this year, the company plans western audited financial statements.

EUROPEAN NEWS DIGEST

Atlas Copco bucks trend with 9% rise

Atlas Copco, the Swedish engineering group, yesterday bucked a trend of sharp earnings reverses for leading Swedish exporters this year by reporting a 9 per cent increase in nine-month profits.

The group, a leading member of the Wallenberg industrial empire and a leading maker of power tools and compressors, overcame a stronger krona and weak European demand to lift pre-tax profits from SKr2.1bn to SKr2.2bn ($333m). Earnings per share rose from SKr7.30 to SKr7.74.

The figures were in line with market expectations, but Atlas shares rose SKr3.50 to SKr144.50 on the Stockholm bourse. Atlas said orders declined in most European markets, including Germany, France and the UK. However, positive trends were noted in Italy, Benelux and eastern Europe, while substantial increases were seen in Asia-Pacific, Australia and Latin America. This helped to sustain group operating margins, after allowing for a SKr117m net one-time gain on the sale of a hydraulics business in February and restructuring costs in Atlas's industrial technique unit.

Third-quarter operating profits advanced from SKr619m to SKr632m, in spite of a slip in sales from SKr6.1bn to SKr5.9bn. Orders fell 1 per cent, or 5 per cent on a comparable basis. Net profits also declined, from SKr450m to SKr397m, as a result of higher tax charges.

Nine-month sales progressed from SKr17.8bn to SKr18.3bn, but decreased 6 per cent on a like-for-like basis. The stronger krona had a negative effect of 9 per cent. Mr Michael Treschow, chief executive, said demand in the near future was expected to remain largely unchanged and the group's earlier forecast of improved full-year earnings stood firm.

He said the weakness in demand had affected in particular small and medium-sized compressors and power tools. Demand for large compressors, drill rigs, loaders and assembly systems improved, while demand for electric power tools recovered slightly towards the end of the period. Operating profits in compressors rose from SKr1.26bn to SKr1.31bn in spite of a fall in sales from SKr8.4bn to SKr8.1bn. Operating margins improved because of higher productivity, Atlas said.

In construction and mining tools, operating profits advanced from SKr266m to SKr284m. Sales were SKr4.3bn, against SKr4.5bn.

Orders in the power tools division increased 23 per cent, helping lift operating profits from SKr484m to SKr614m. Turnover grew from SKr4.9bn to SKr5.9bn, aided by buoyant sales at Milwaukee Electric Tool corporation of the US, acquired last year. *Greg McIvor, Stockholm*

Philips takes stake in Elekta

Philips, the Dutch electronics group, is to take a minority stake in Elekta, a Swedish maker of medical equipment, as part of a deal which will put Philips radiotherapy systems unit under the control of its new associate. Philips, which supplies cancer care products in more than 60 countries, will continue to operate sales and service organisations for the division.

The Eindhoven-based company has acknowledged in recent months that it needs partners in a number of the sectors in which it is active. The Stockholm based Elekta is a leading supplier of image guided surgical instruments and treatment software.

Philips said the merger would strengthen the technological base and enhance services. It did not disclose financial details and described the size of its planned shareholding in Elekta only as substantial.
Gordon Cramb, Amsterdam

Sphinx Gustavsberg in red

Sphinx Gustavsberg, the Dutch maker of bathroom fixtures, fell into a Fl 2.4m ($1.4m) interim net loss, compared with profits of Fl 14.5m, amid what it described as fierce price competition and a weak building market in Germany. Restructuring and reorganisation measures have been given high priority, it added, following the failure of a planned merger of its operations with those of Switzerland's Keramik Laufen.

That would have created Europe's biggest sanitaryware manufacturer and shielded Sphinx against what it said yesterday had been a shift in the product mix towards products with a lower margin. Sales rose 8.2 per cent to Fl 400.1m in the first half to September, although most of this came from the consolidation of its Schock Bad unit.

The company said market conditions remained difficult, especially in Germany and France, but it expected a modest profit for the full year. *Gordon Cramb*

Axa upbeat on profit

Axa, the French insurance group acquiring its rival Union des Assurances de Paris, said net profit was expected to be significantly higher in 1996 than in 1995, when it was FFr97.73bn, the company said in a prospectus containing details of its share exchange offer with UAP. The exchange offer runs from today to December 18.

UAP still expected net profit in 1996 to be around double the FFr860m ($170m) it made in the first half, the company said in its prospectus. *AFX News, Paris*

Banks to integrate units

Crédit Agricole, the French mutual bank, said it would reorganise its operations to integrate Banque Indosuez by linking the two groups' bourse and asset management operations, but leaving their private banking activities separate.

In July, Crédit Agricole bought a 41 per cent stake in Banque Indosuez. Mr Lucien Douroux, Crédit Agricole director general, said it was proper for Banque Indosuez to reach a return on capital of 9 per cent in 1988 and 12 per cent after that.

Under the reorganisation, Crédit Agricole unit Unicrédit will be allied with Banque Indosuez, with Unicrédit's chairman, Mr Philippe Guiral, joining the Indosuez management board.

Mr Douroux also said that bringing together the bourse units of Caisse Nationale du Crédit Agricole – Dynabourse and Hayaux du Tilly – and Indosuez's Chevreux de Virieu, which have a total 14 per cent market share, will create a majorplayer in France.

The two groups' international asset management operations will also be linked under CNCA deputy general Mr Thierry Coste. The two groups' private banking activities will remain separate. Mr Douroux said that there was some overlap of activities, and if staff cuts were needed they would be carried out without any layoffs.
AFX News, Paris

Polish bank seeks listing

Wschodni Bank Cukrownictwa, the Polish medium-size bank, wants to enter the Warsaw bourse in the second half of 1997 after a 10m zloty initial public offering, yesterday said Mr Stanislaw Miedziak, the bank's president.

The bank, based in the eastern city of Lublin, had a net profit of 7.2m zlotys last year on 90m zloty revenue from interest. It expects its net profit to stay flat this year on 100m zloty revenue from interest. The bank's current main shareholder is sugar refinery Lublin, which holds 20 per cent in the bank. *Reuter, Warsaw*

Comments and press releases about international companies coverage can be sent by e-mail to international.companies@ft.com.

US acquisition helps NAB advance 6.8%

By Nikki Tait in Melbourne

National Australia Bank, the largest of the Australian commercial banks, yesterday announced an after-tax profit of A$2.1bn (US$1.68bn) for the year to end-September, a 6.8 per cent increase on last time's A$1.97bn and a record for the group.

The figures were helped by the inclusion of 11 months of earnings from Michigan National, the US bank which NAB bought last year and which contributed A$158m before goodwill write-offs. Earnings per share rose 2.7 per cent, to 144.8 cents.

The result was struck after a charge of A$333m for bad and doubtful debts, up from last year's A$116m. Mr Don Argus, managing director, said that NAB saw softness in some of its markets and thought it "prudent to take some extra provisioning".

With tax and bad debt provisions added back, NAB's underlying profit rose 14.5 per cent to A$3.39bn. The return on shareholders' funds dipped from 17.8 per cent to 17 per cent.

Mr Argus described the result as "workmanlike", adding that the group's international expansion – it now has banks in New Zealand, the UK, Ireland and the US – had helped bring consistency to earnings.

During the year, net interest income rose 11.9 per cent, to A$5.06bn. NAB said this would have been 2.9 per cent higher if Michigan National had been excluded, but rising volumes had more than offset the tighter margins as competition intensified. Across the loan book, NAB's margins eased by about 30 basis points.

Non-interest income also rose strongly, by 19.3 per cent to A$2.92bn, or by 11.7 per cent without Michigan National. This was largely because of increased fees and commissions resulting partly from higher credit card usage. The financial management and custodian services business also posted higher income.

On the cost side, NAB's non-interest expenses rose 14.4 per cent, to A$4.59bn, but the cost-to-income ratio fell from 56.2 per cent to 55.8 per cent.

Core Australian operations posted static earnings, after the increased provisioning, of A$1.3bn, while the New Zealand business edged higher from A$215m to A$227m. The UK and Irish banks made A$403m, down from last time's A$420m. This reflected the stronger Australian dollar; in local currency terms, operating profits were 2.6 per cent higher. Clydesdale Bank, the group's Scottish subsidiary, produced a 10 per cent increase in pre-tax profits to £125m (US$206.25m), while Northern Bank in Northern Ireland had a "brilliant year" with a 36 per cent surge in profits to £76.8m as costs were held below 1995 levels. Profits at Yorkshire Bank, however, fell 15 per cent to £117.8m after bad debt charges doubled to £79.6m.

NAB joined its fellow Australian banks in announcing a limited share buy-back scheme, to cover around 13m shares, or 0.9 per cent of its equity.

Bank of New Zealand earnings up 5.3%

Bank of New Zealand reported a 5.3 per cent rise in annual tax-paid earnings to NZ$318m (US$225.8m), helped by strong growth in both business and personal markets, writes Terry Hall in Wellington.

Mr Gordon Wheaton, chief executive, said the bank, a wholly owned subsidiary of the National Australia Bank had increased its lending at a time of tight margins while containing expenses.

Total lending had grown 10.1 per cent, to NZ$18.3bn. Home lending grew from NZ$5.7bn to NZ$6.3bn. Mr Wheaton said the bank expected the current year to produce positive results.

However, margins would remain tight and competition in the industry would intensify. Underlying profit, excluding interest recoveries and before debt provisioning and tax, rose 12 per cent to NZ$363m. Total assets rose from NZ$21.96bn to NZ$23.5bn.

Total balance sheet assets rose NZ$1.6bn to NZ$23.5bn. BNZ is paying a dividend of NZ$164m to its Australian parent compared with NZ$150m last year. During the year, staff numbers were cut by 300 to 5,857.

● Restructuring costs and pressure on interest margins led the ANZ Group, New Zealand's third-biggest bank, to record a 6.2 per cent fall in profits, to NZ$153.7m, in the year to September 30. ANZ Group includes ANZ Bank and PostBank, and the UDC Group of finance companies.

Mortgage lending rose 9 per cent, to NZ$7.2bn and other lending rose 16 per cent, to NZ$7.8bn. Assets grew 14 per cent, to NZ$20bn. The group is paying a dividend of NZ$430m – the first in seven years – to its Melbourne parent company.

Bank Negara takes uncertain step forward

Sell-off comes as Indonesian group's profitability is falling

Much is at stake in Indonesia's only privatisation this year – the listing on November 25 of state-owned Bank Negara Indonesia. No-one wants to see a repeat of Telkom, the domestic telecommunications company, which had to cut sharply the size and price of its offer after global demand failed to materialise.

That made the choice of a bank as the next privatisation surprising. While telecoms is one of Indonesia's fastest growing sectors, Indonesia's banking industry is less successful.

With a total of 240 banks, the sector is overcrowded and in need of consolidation. Bad debts are a serious problem, with 10 per cent of all lending classified as bad or doubtful at the end of last year. There is also a tendency among private sector banks to lend to the industrial groups that own them.

Yet, according to local securities house Danareksa Sekuritas, which is underwriting the issue, BNI shares were 4.5 times subscribed, with foreigners dominating demand. Most of these, however, will not even come close to the allocations they have requested, because the size of the domestic tranche has been increased to give local investors a larger share.

With so many foreign fund managers unable to get the allocations needed to justify including BNI in their Indonesia portfolios, the government has in effect ensured that the shares are likely to perform well in the secondary market. Local investors tend to sell for profit immediately after a listing, and foreigners are expected to buy up those shares.

Brokers say BNI shares are already trading at around Rp1,000 in the grey market, compared with an offer price of Rp850 a share. The strong demand is partly because the BNI offer is simply too big to miss. "On listing, it will easily have the highest market capitalisation in the banking sector," says Ms Daisy Chee, of GK Goh Ometraco.

That could mean inclusion in the Morgan Stanley Capital International Indonesia Index, against which many fund managers match their portfolios. Few will have forgotten the scramble to buy Telkom shares, shortly after its listing, when it replaced Indosat, the state-controlled international satellite telecoms company, in the MSCI index in November last year.

But it remains to be seen how many will buy into a bank with weak underlying profitability and whose loan and asset quality remains a concern. BNI's projected 1996 net profit of Rp327bn ($140m) is likely to be achieved through smaller than normal provisioning charges and large one-off income items.

Although BNI's profitability has improved since 1994, this year the "situation has worsened", says an Asia Equity research report. "All profitability measures show a declining trend: earning assets growth, net interest margin, fee income and operating income."

Furthermore, once listed, the bank will "have to stand on its own two feet against high-quality listed banks like Bank Internasional Indonesia," says Mr Jonathan Harris, research director at Wardley James Capel Indonesia. Yet BNI's non-performing loan rate, at 6.2 per cent of total loans, does not compare favourably with the average 2 per cent rate in the rest of the sector.

Analysts also point out that BNI's 35 per cent loan loss coverage reserve is low. If Bank Indonesia, the central bank, introduced a mandatory write-off policy, the need for additional loan loss charges would depress BNI's earnings.

Although BNI intends to focus on consumer banking, this remains a long-term goal: corporate banking remains its core business. In BNI's favour, analysts note that its lending policies have been more conservative than those of other state-owned banks. Most of its loans go to large companies, including toll-road builder Citra Marga Nusa Persada, controlled by President Suharto's eldest daughter, and blue-chip companies such as Indofood, Indocement and Gudang Garam.

As a state bank, BNI has established close relationships with state-owned companies and government institutions. This could be a weakness – state-owned companies have a reputation for inefficiency – but also a strength, in view of lending opportunities implicit in these relationships and a conviction that the government would not allow a state-owned bank to fail.

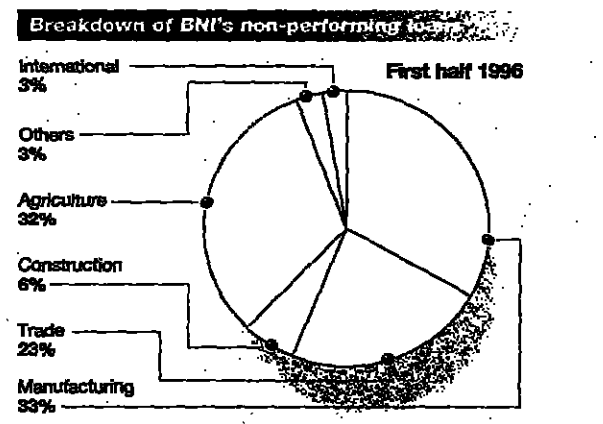
Some 25 per cent of BNI is to be listed, with the government retaining a majority stake. With consolidation taking place in the banking sector, BNI is likely to be instructed to absorb other state banks. The question is whether these banks will have a record comparable to BNI's.

With these concerns in mind, BNI has been priced competitively at about 8.7 times projected 1997 earnings, compared with a price/earnings ratio of about 10 for the rest of the private banking sector. And with so few IPOs in Indonesia in 1996, BNI is, despite its underlying weakness, perhaps the country's most attractive offering this year.

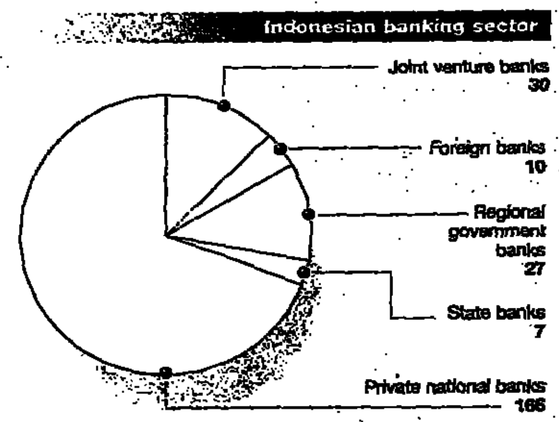
Manuela Saragosa

What's on offer

Breakdown of BNI's non-performing loans



Indonesian banking sector



BNI...

- ...is the biggest bank in Indonesia
- ...has 10% of the country's total banking assets
- ...has 8% of the loan market
- ...has 10% of the savings market

Source: Asia Equity, Bank Indonesia

state commercial banks' assets

At Dec 31, 1995 (Rp '000bn)

Bank Negara Indonesia (BNI)	32.2
Bank Dagang Negara	29.6
Bank Rakyat Indonesia	28.8
Bank Bumi Daya	26.3
Bank Ekspor Impor Indonesia	22.3

ASIA-PACIFIC NEWS DIGEST

Korea Telecom to list next year

Korea Telecom said yesterday it planned to list on the Seoul bourse in the first half of next year, after several postponements. The state-owned telecommunications group announced the listing in order to attract domestic institutional investors to a Won360bn ($434m) share issue next week.

Institutional investors have been reluctant to buy Korea Telecom shares, which are being offered through auction bids, because they cannot trade them on the Seoul bourse. An offer of Korea Telecom shares last month was largely shunned by investors.

The government has announced a listing of Korea Telecom several times since 1993, only to delay the action because of poor market conditions. As is usual with Korean initial public offerings, foreigners will be unable to participate in the Korean Telecom share issue. The government will sell shares to foreign investors through depositary receipts after the listing.

The amount to be offered has not been disclosed. The state, which owns 78.7 per cent of Korea Telecom, is gradually reducing its stake but plans to maintain majority control. The auction next week of 9.6m shares priced at Won37,600 each will amount to 3.35 per cent of the state holding. The government has sold Won135bn of Korea Telecom shares this year, far short of its 1996 goal of Won960bn. Korea Telecom posted net earnings of Won419bn on sales of Won6,360bn in 1995.

John Burton, Seoul

Steady progress at Brierley

The worldwide operations of Brierley Investments (BIL), the New Zealand-based investment group, were "going quite well", according to Mr Bob Matthew, chairman, although some New Zealand subsidiaries were experiencing more difficult conditions in the new financial year owing to the slowdown in the economy.

Mr Matthew told the group's annual meeting yesterday that Thistle Hotels of the UK, the company's biggest investment, was continuing the steady profit growth of the past two years, and was expected to continue this trend. This year's profits would be a substantial improvement on last year's.

Air New Zealand, which is 42.5 per cent owned by BIL, would make a lower contribution to earnings this year, although both Air New Zealand and the 50-per-cent owned Ansett Australia were making good progress with their cost-cutting programmes. Air New Zealand was expected to achieve better profits over the next year and beyond. BIL's Australian investments, with the exception of Vox Retail, were performing well. BIL was showing a A$100m (US$79.4m) profit on its A$260m investment in James Hardie, the building group, Mr Matthew said.

Terry Hall, Wellington

Kansai Electric slides 14.5%

Kansai Electric Power, Japan's second-largest electric power company, yesterday reported weaker interim pre-tax profits caused by rising oil prices, cuts in electricity rates and the weaker yen.

The company's efforts to diversify energy sources away from oil and towards thermal, hydroelectric and nuclear power generation saved nearly Y12bn ($107.9m) in the first half to September. But the savings were not enough to offset added costs of Y20bn stemming from the rise in oil prices, the company said.

Unconsolidated recurring profit fell 14.5 per cent, to Y54bn, while revenues edged up 0.7 per cent, to Y1,295bn. Like that of Japan's other electricity companies, Kansai Electric's recurring profit suffered by comparison with last year, when unusually hot weather boosted demand for electricity to drive air conditioners. After-tax profit, however, jumped to Y30.5bn, or Y31.21 per share, from Y21.7bn. The company will maintain its interim dividend at Y25. For the full year, it expects a recurring profit of Y11bn, down 10 per cent. Sales are forecast to rise 1 per cent, to Y2,540bn.

Gwen Robinson, Tokyo

Japan Telecom down 6% in half

By Michiyo Nakamoto in Tokyo

Japan Telecom, one of the country's four long-distance telecommunications operators, blamed a sharp reduction of leased line rental rates for a 6 per cent fall in interim parent profits, but forecast record profits for the full year.

The carrier has been caught in an intensifying battle with competitors, particularly NTT, Japan's dominant carrier, which has forced it to cut rates.

First-half recurring profits fell from Y23.4bn to Y22.1bn, although sales rose 12 per cent, to Y183.2bn. Net profits increased 10 per cent, to Y13.2bn.

Nippon Telecom said sales had risen strongly owing to a 30 per cent increase in traffic after it cut its rates on some long-distance services. The growth in traffic helped lift revenues from telephone services 4 per cent, to Y141.4bn.

However, the need to reduce rates in leased line services by as much as 50 per cent cut revenues from that business 24 per cent, to Y9.4bn.

Other businesses, including the installation of base stations for cellular phones and the distribution of cellular phone units for its affiliated companies, performed well during the period as a result of buoyant demand for cellular and PHS phones.

For the full year, the carrier expects record recurring profits of Y43bn, compared with Y41.9bn last year, on higher sales of Y378bn, against Y335.6bn, with the help of greater traffic volume and the continuing strength of its peripheral businesses.

Nippon Telecom also expects access charges, which made up 39 per cent of telephone revenues in the first half, to be lower as a result of negotiations with NTT, which dominates the local network.

Indian results confirm slowdown

By Tony Tassell in Bombay

The interim reporting season for the Indian corporate sector is shaping up to be the worst in the past three to four years, with the number of companies posting disappointing results continuing to mount.

While the reporting season started on a relatively positive note with a few strong results, more recent statements have confirmed a deeper-than-expected slowdown in profit growth in the six months to September.

"There have been a lot of shocks and and a lot of disappointments," said Ms Ritu Gupte, strategist at brokers Jardine Fleming India.

Analysts said a slowdown had been expected after the delayed impact of tight liquidity conditions last year, the introduction of a minimum 12.9 per cent corporate tax, falls in commodity prices, increases in fuel costs and high interest rates.

However, Ms Gupte said many may have underestimated the slowdown. She said the average profit growth of 35 companies researched by her firm had been 14 per cent in the first half, compared with more 50 per cent last year.

Analysts said sentiment over the results season had soured after poor results this week from three blue-chip companies in the Birla group, one of India's leading industrial houses. This came after worse-than-expected results from other companies such as Essar Steel and Industrial Credit and Investment Corp of India, the development financial institution.

The trend has been confirmed by disappointing results from the Industrial Development Bank of India, the country's largest development financial institution, and Tata Chemicals, the fertiliser to soda-ash manufacturer.

IDBI lifted its net profit only 2 per cent, to Rs5.14bn ($147m), well below market forecasts of about Rs6bn.

The sluggish state of the economy and corporate activity was partly reflected in a 23 per cent drop in loan approvals by the institution in the first half. Analysts said some of this came from the "lumpy" pattern of IDBI's loan approvals, which are usually for large developments, but the fall also reflected delays by companies in starting projects.

However, disbursements from already-approved loans rose 17 per cent, to Rs59.69bn.

Tata Chemicals suffered a 24.6 per cent fall in net profit, to Rs1.31bn, again a figure that was below forecasts. The company's shares dropped Rs19.25, to Rs180.75, in reaction to the results, while IDBI was unchanged at Rs103.2 ahead of the release of its figures after the close of trading.

Results later today from Indian Oil, Larsen & Toubro, Videsh Sanchar Nigam, Indian Petrochemicals Corp and Hindustan Motors are likely to provide further evidence of the slowdown in corporate earnings.

CompuServe targets business users

By Louise Kehoe in San Francisco

CompuServe, one of the largest online information services, is to refocus on business and professional users and abandon consumer marketing efforts in order to cut costs.

Announcing expected operating losses as well as special charges, CompuServe also said it would withdraw its family-oriented Wow! service, launched in March. It plans to introduce services aimed at business users early next year.

The change in strategy comes as CompuServe faces intense competition from America Online, the leading consumer-oriented service with about 7m subscribers, as well as from numerous low-cost Internet access providers.

CompuServe, in which H&R Block, the tax-preparation firm, retains an 80 per cent stake, reported a loss before special charges of $24.5m, or 26 cents a share, for its second fiscal quarter ended October. The operating results were in line with Wall Street expectations.

The company blamed its losses partly on delayed shipment of new subscriber software. In addition, however, CompuServe recorded a one-time after-tax charge of $28.6m, or 31 cents a share, related to a change in accounting practices. The company will accelerate the rate at which it amortises the costs of attracting new subscribers. CompuServe also took a $4.9m, or 6 cents a share, after-tax charge for the costs of closing Wow!.

Total losses for the quarter were $58m, or 63 cents a share. This compares with net income of $14m, or 19 cents, in the same period last year. Revenues for the quarter were $214.3m, up 14 per cent from $188.4m.

CompuServe said its decision to end the Wow! service reflected rapid changes in the online market, including new competition, pricing pressures and the high costs of mass consumer marketing. The service had attracted only 102,000 subscribers.

"Like others in our industry, we were bringing new users in the front door and seeing many go out the back," said Mr Bob Massey, CompuServe president and chief executive. While new users are attracted by offers of several weeks' free service, many defect when these run out.

CompuServe ended the second quarter with 3.3m subscribers, the same number as at the beginning of the quarter.

For the fiscal year to date CompuServe reported a net loss of $37.6m, or 95 cents a share, compared with net income in the same period last year of $40.8m, or 55 cents.

CME seen to get something for nothing

Futures industry views links with Liffe and Matif as a coup, says Laurie Morse

The Chicago Mercantile Exchange significantly improved its competitive position on Wednesday, with announcements that it would distribute Liffe's three-month euromark futures and options contracts and Matif's notional bond futures on its trading floor during US market hours.

The new trading arrangements at the CME – the world's second largest futures exchange and the dominant listed market for short-term interest rate derivatives – are expected to come into effect between March and May next year, possibly beating the launch of the long-awaited link between the Chicago Board of Trade and Liffe for long-term bonds, scheduled for May 9.

Reaching out: CME options will represent European, Asian and Latin American states EPA

The CME's product menu will include currency, debt, and stock index futures, and options representing a variety of countries in Europe, Asia, and Latin America, as well as the US.

A third European futures exchange, Germany's DTB, already distributes its products in Chicago, but has taken a different approach. It has placed screens in the main markets, such as Chicago, and US futures traders can use the computers to trade German bond and stock index futures electronically around the clock. The venture, which is only four weeks old, has attracted little interest.

The CME's agreements with the Liffe and Matif are unusual because they are not reciprocal. Liffe and Matif did not receive the rights to trade CME products in Europe, as has been customary in recent link-ups.

"When we began these negotiations with Liffe four months ago, it was clearly understood that the eurodollar was not for sale," said Mr John Sandner, CME chairman. Chicago's unwillingness to share eurodollar futures with London is not surprising: eurodollar futures and options make up more than 65 per cent of CME volume, and are traded in Asia through a link with the Singapore International Monetary Exchange (Simex).

Liffe's own attempt to trade eurodollar futures failed in the face of CME/Simex competition, but CME members have not forgotten the challenge. The agreement between Liffe and the CME will only allow a eurodollar listing in London "if at a propitious moment, we see it would be beneficial to our members", Mr Sandner said.

The Matif's notional would be the first long-term interest rate contract offered on the CME. The Chicago Board of Trade dominates long-bond trading in the US, and through its planned link with Liffe will gain access to all the main European government debt contracts except the notional.

Mr Sandner said the CME was committed to supporting the Matif, and was taking on the notional in the hope that a market for the French bond during US hours would strengthen Matif's position as it entered European monetary union. However, despite the show of support, Matif's short-term interest rate contract, Pibor, is not being shared with the CME.

The CME's new partnerships will do more to bolster business in Europe than in Chicago. However, they fill gaps in the CME's European product line, which includes the UK's FTSE 100 stock index and most of the main European currencies. CME officials stressed that the biggest benefit was the creation of new trading opportunities for its members.

Futures industry executives view the Liffe and Matif partnerships as something of a coup for the CME. "It looks on the face of it like the CME has gotten something for nothing," notes Mr Alex Lamb, general manager of Chicago operations for Fimat, the French brokerage firm.

However, CBOT executives were quick to congratulate the CME. "These agreements just underscore the fact that the CBOT is taking the right direction with its Liffe link," said Mr Michael O'Connell, special assistant to the CBOT chairman.

Derivatives Survey, separate section

Enersis plans to shed 1,400 jobs at Cerj

By Imogen Mark in Santiago

Chilean utility group Enersis plans to cut 1,400 jobs – about one-third of the workforce – at Cerj, the electricity distributor for the state of Rio de Janeiro which was privatised in a stock market auction on Wednesday.

The group's distribution subsidiary, Chilectra, won the bidding for the Brazilian utility as part of a consortium with Electricidade de Portugal and Endesa, of Spain. The three companies will pay a total of US$587.5m for a 70.26 per cent stake in Cerj. The Chilean group is expected to use some of the proceeds of a planned US$700m bond issue – increased from $500m – for its $353m commitment, a senior company executive said.

Mr José Yuraszeck, general manager of Enersis, said the workforce would be reduced by one-third to 3,000. He added that the company would invest another US$500m in Cerj over the next five years to increase efficiency and coverage.

Cerj loses 28 per cent of its energy through leakage and theft, he said. The aim was to bring the losses down to 12 per cent, which is the level in the Chilean and Argentine companies.

The Chilean group has specialised in turning round former state-owned power companies. Its management took over the main Santiago distributor when it was privatised in 1987.

It has also acquired Edesur, which covers half of Buenos Aires, and Edelnor, which covers Lima, to become Latin America's biggest private distributor, with 5.5m customers.

● Brazil expects to announce the minimum price for the sell-off of state mining group Companhia Vale do Rio Doce on December 17, according to Mr Jose Pio Borges, privatisation chief of the National Development Bank, Reuter reports from Brasilia.

The CVRD privatisation, Brazil's biggest, is due to start in February with the block sale of 40-45 per cent of the company's voting shares. Mr Pio Borges said interested bidders could start viewing CVRD's records from Monday.

US group bids for Canadian mutual

By Robert Gibbens in Montreal

Boston-based venture capital group TA Associates has bid C$783m (US$588.70m) for Canadian mutual fund company Altamira Management, beating an offer from Canada's Manufacturers Life by C$123m.

TA said it would offer C$38 a share for Altamira, 19 per cent more than Manulife's C$32 a share, on condition that Manulife dropped an agreement with a group of Altamira manager-shareholders.

The closely held Altamira has C$6.1bn assets and is Canada's 11th biggest mutual fund firm.

"We believe C$32 is far too low," said Mr Andrew McLane, TA managing director. "Now there are two offers on the table. We want to be a white knight and provide an alternative, but not start a battle."

The 28-year-old TA is one of the largest private equity investors in the US. It has assets of more than US$2bn and holdings in more than 200 companies in the financial services, healthcare, consumer products and information technology sectors.

Analysts said TA's move reflected growing US interest in Canada's booming mutual fund industry, which had reported total assets of almost C$200bn as at October 31.

Altamira's stockholders have been fighting among themselves since last summer, when Toronto Dominion Bank backed away from a C$765m bid.

The biggest holder is Almiria Capital, with 30.5 per cent. It is a Canadian investment firm owned by several institutions and headed by Mr Eric Baker, a veteran of a communications industry takeover battle six years ago.

Almiria supports the TA bid and has launched court action in an attempt to block Manulife.

But Manulife already holds 30.5 per cent of Altamira. A group of Altamira fund managers who hold 28 per cent have pledged their shares to Manulife, saying they prefer to be allied with a Canadian parent. The two sides are negotiating.

Mr Dominic Alessandro, Manulife president, called the TA offer "highly tentative and just an expression of interest". Manulife's offer was in the best interest of all Altamira shareholders, he said.

TA promises to keep Altamira independent with "significant" employee ownership.

AMERICAS NEWS DIGEST

Pacificare net hit by $58m charge

Pacificare Health Systems, the US managed healthcare company, said yesterday that fourth-quarter earnings rose 21 per cent, before a one-off charge partially caused by the company's decision not to launch a new service in Florida.

Net income for the quarter was $38m, or $1.19 a share, before the charge of $58m, compared with $30.4m, or 98 cents, in the same period last year. Including the charge, earnings were $3.5m, or 11 cents a share. Revenues rose from $1bn last year to $1.2bn this time. The portion of premium revenue paid out for medical costs rose from 83.4 per cent to 84.2 per cent as higher prescription drug and doctors costs combined with steady premium rates to eat into the company's margins, as they have done across the sector this year. For the full year, earnings rose 17 per cent to $134m before charges, on revenues of $3.7bn.

Last month, Pacificare announced it had agreed to merge with Health Systems International, another California-based health maintenance organisation (HMO), to create the fourth largest publicly-traded HMO in the US. That deal is expected to close at the beginning of next year, but may face regulatory questions because both companies are large providers of HMO services to members of the government's Medicare program for older Americans. *Lisa Bransten, New York*

TrizecHahn in Houston buy

TrizecHahn, the acquisitive Toronto-based property developer, has agreed to buy the Allen Center, a prominent three-tower office complex in downtown Houston. The purchase price is understood to be about US$250m. The acquisition is the first since the recent merger between Trizec and Horsham, the investment holding company controlled by Mr Peter Munk. Mr Greg Wilkins, TrizecHahn president, said the deal reflected a strategy of investing in office properties with "significant growth potential".

TrizecHahn is also negotiating deals in Atlanta, New York, and Columbia, South Carolina. The Allen Center comprises three towers of between 34 and 50 storeys with 3.2m sq ft of space. TrizecHahn is keen to expand in south-east Asia, and recently set up a joint venture to develop shopping malls, office projects and business parks in central Europe. *Bernard Simon, Toronto*

Telekom unit takes APC stake

Deutsche Telekom MobilNet, a unit of Deutsche Telekom, has taken a 16 per cent stake in holding company American Personal Communications, which in turn holds 51 per cent of US mobile phone operator APC LP. Last year, APC – which has about 100,000 customers – launched in Washington and Baltimore a network based on the digital PCS 1900 standard. *AFX News, Bonn*

Cisneros plans beer venture

Cisneros, Venezuela's family-owned industrial concern, is negotiating with an international brewer to set up a joint venture in Venezuela. Mr Oswaldo Cisneros, who heads the group's beverage and telecommunications division, said: "We're seeking an international partner and will hit the market with an international brand."

He said a brewing plant was already under construction and would be in operation in the first half of 1997. The plant will have a capacity of 1.2m hectolitres, or 8 per cent of the domestic market.

The announcement comes amid a fierce battle with rival Empresas Polar over Venezuela's soft drink market. Cisneros dropped long-time partner PepsiCo to bottle for Coca-Cola three months ago. *Raymond Colitt, Caracas*

Desjardins-Laurentian ahead

Desjardins-Laurentian, the publicly traded insurance, banking, trust and brokerage unit of Quebec's Mouvement Desjardins, posted a 16 per cent gain in third-quarter earnings, to C$19.8m (US$14.75m), or 42 cents a share, against C$17.1m, or 35 cents, a year earlier. Consolidated revenues rose from C$936 to C$957m.

Insurance results were mixed, but trust services improved. The brokerage unit performed well, as did Laurentian Bank. Nine-months earnings were C$61.6m, or C$1.31 a share, against C$49.1m, or C$1. Assets at September 30 were C$23bn, up from C$21.5bn. *Robert Gibbens, Montreal*

British Energy in deal with S Electric

By Simon Holberton

British Energy, the nuclear utility, yesterday said it had struck a 15-year deal with Southern Electric, the south of England electricity company, to develop a long-term electricity supply business.

British Energy is the first generator to make a long-term arrangement with a rec ahead of 1998 when competition in electricity supply comes to the household market.

Both National Power and PowerGen, the two biggest thermal generators, who are in talks with electricity companies about supply arrangements after 1998, but have yet to announce a deal.

National Power wants to explore a possible joint venture with one or two recs and a commercial company. PowerGen is looking at a more conventional arrangement with supply contracts of up to five years.

Mr Bob Hawley, British Energy's chief executive, said the deal would provide long-term price stability for both companies.

He said there should be no complaint from Professor Stephen Littlechild, the industry regulator, as the deal was non-exclusive.

Mr Jim Forbes, chief executive of Southern Electric, said the two companies had been working together successfully for the past two years. He said generation accounted for 65-70 per cent of the cost of supplying electricity.

He declined to specify the details of the deal but added: "I think I will be able to grow my business significantly with the deal we have in place."

The deal will account for 15 per cent or more of British Energy's output in England and Wales and meet 30 to 40 per cent of Southern's power procurement needs.

British Energy announced the deal as it unveiled its half yearly results – its first since privatisation in July and broadly in line with expectations. The company said it made a £32m loss, down from a loss of £169m in the same period last year.

Turnover was up 17.7 per cent to £838m, mostly due to an increase in output. Electricity sales rose 12 per cent to 31.5TWh after a rise in load factor to 74 per cent from 68 per cent last year.

The company has an 18 per cent share of electricity demand in England and Wales and a 56.1 per cent share of the market in Scotland where it is fully contracted until 2005.

As forecast, it declared a dividend of 4.6p. British Energy's shares ended 1p down at 134½p.

Safeway to take on 3,500

By Peggy Hollinger

Safeway, Britain's third largest supermarket chain, is to create the equivalent of 3,500 full-time jobs over the next two years.

Safeway's expansion plans, which include 15 superstores of 25,000-35,000 sq ft and four medium-sized supermarkets, mean the group will be hiring 5,200 new staff. This will bring the group's full-time equivalent up to 50,000 people. Mr Colin Smith, Safeway chief executive, said the jobs would be spread throughout the country.

Safeway, which also yesterday announced a 7 per cent jump in interim pre-tax profits, is the latest in a series of retailers to announce a substantial job creation programme. Marks and Spencer this month announced the creation of 2,000 jobs in the UK.

The expansion was outlined as the group reported strong current trading, with like-for-like sales in a fiercely competitive market up by 5 per cent. Inflation accounted for just 2 per cent of the increase.

"Retail sales are looking quite good," said Mr Smith, which he hoped would imply a good Christmas trading period. "It seems there is a bit more consumer confidence."

Exceptionals hit Storehouse

By Peggy Hollinger

Storehouse yesterday sought to address market concerns which have hit the retail group's share price in recent weeks, with an upbeat assessment of current trading as it reported a 13 per cent rise in interim pre-tax profits before exceptionals.

Mr Keith Edelman, chief executive, said the group, which owns the Mothercare and BHS chains, was making "good progress" in the first five weeks of the second half. "With a strong Christmas offer and a better retail climate, we are confident of . . . growth," he said.

Storehouse managed to increase underlying profits from £33.3m to £37.5m ($61.9m) on sales up from £518.8m to £590.5m. However, pre-tax profits fell to £17m after a net £20.5m exceptional charge following the Children's World acquisition and disposal of menswear retailer, Blazer.

The retail division increased profits from £30m to £37.1m. BHS, the department store business, returned to growth, showing a like-for-like sales increase of 3 per cent, against a similar level of decline last year. New stores and overseas expansion through franchising pushed up overall sales at BHS by 7 per cent.

On the other hand, Mothercare continued to fall behind, with comparable sales down by 2 per cent. He said Mothercare was "steadily recovering and would move to positive territory by the year-end". Franchising abroad boosted overall sales at Mothercare, excluding Children's World by 5 per cent. Franchise sales overall were 38 per cent ahead at about £49.8m.

Trevor Humphries

Keith Edelman: optimistic in a better retail climate

Babcock rises but cuts pay-out

Babcock International, the engineering, facilities management and materials handling group, yesterday halved its interim dividend despite a 23 per cent increase in underlying first-half profits.

The company, reporting pre-exceptional profits up from £2.2m to £2.7m ($4.45m), said shareholders would receive a reduced dividend of 0.625p (1.25p).

Mr John Parker, chairman, said the group's trading figures had persuaded the company to cut the pay-out, which will be paid as a foreign income dividend.

After exceptionals, pre-tax profits fell from £19.2m to £4.68m on reduced sales of £319.7m (£393.7m) for the year to September 30.

Operating profits were down from £3.12m to £1.68m. That disguised an improvement in profits at facilities management, which reached £7.55m (£5.77m), while the materials handling division reversed losses of £1.88m with gains of £985,000.

Those improvements were overshadowed by increased losses in the environmental and Africa divisions, of £2.45m (£1.88m) and £1.82m (£375,000) respectively. Lost orders also contributed to losses of £2.1m in process engineering, compared with profits of £1.58m.

The shares, however, rose 6p to 69p after Mr Parker predicted further gains from facilities management, due to be enlarged shortly by the acquisition of the Rosyth naval dockyard.

Mr Parker said new management had been installed in materials handling to prevent any repetition of previous losses. New managing directors have also been appointed to the process engineering and African divisions.

EU may act on Lonrho stake

By Kenneth Gooding, Mining Correspondent

The European Commission is formally to invite interested parties to give their views about the acquisition by Anglo American Corporation of South Africa of a 28 per cent holding in Lonrho, the UK conglomerate.

While this is standard procedure, the commission's decision will be awaited with more than usual interest. In April it blocked the merger of Lonrho's platinum division with Impala, a subsidiary of Gencor, another South African group, saying it was against the public interest.

Anglo is the world's biggest platinum producer via its Rustenburg offshoot. It took its first 5 per cent stake in Lonrho early this year, while the commission's platinum investigation was still in progress.

When announcing that the platinum merger was to be blocked, Mr Karel van Miert, the European competition commissioner, warned Anglo against taking control of Lonrho, that such a move would create the same problem as Anglo's proposed deal with Impala.

Anglo has consistently argued that 28 per cent of Lonrho does not constitute control or "decisive influence", but the commission's view about this is unclear.

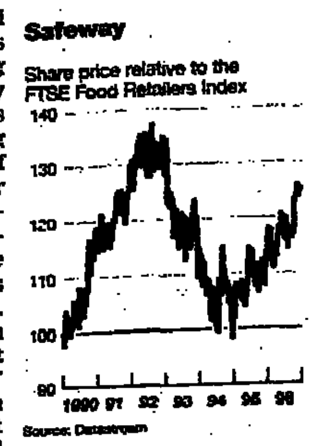
Anglo said yesterday: "We are confident we will come to a satisfactory conclusion."

The commission has one month from November 14, when the deal was completed, to decide on an investigation. This could last up to four months.

Anglo bought its shares from Mr Dieter Bock, who succeeded Mr Rowland as Lonrho's chief executive but stepped down after the sale. It is understood that he is under no obligation to buy back the shares, should Anglo be told to reduce its holding.

LEX COMMENT

Safeway



Safeway, the UK's third largest food retailer, has done a good job avoiding the worst of the trolley wars while rebuilding its brand and its operating efficiency. During the half year, it gave away 0.6 per cent of gross profit margin, or £22m, to its customers. But it recouped the full amount from its restructuring programme. And it continues to push sales per square foot towards its competitors' levels – though it has a long way to go. Most importantly, it has lifted like-for-like sales growth consistently above inflation while this restructuring programme was implemented. It has also come up with some novel, and comparatively cheap, strategies for differentiating itself from an increasingly homogeneous sector. Its "Shop & Go" system allows shoppers to self-scan goods and pay automatically, without having to queue at a till. This will encounter considerable Luddite resistance within its customer base. But it is an efficient way for Safeway to process increased sales within the confines of its below average sized stores and also gain a marketing edge.

However, it remains difficult to gain any competitive edge in this industry, as demonstrated by the remarkably narrow range of prospective p/e valuations for the big four. Safeway is at the bottom of the range, which looks a little unfair. It may not be slugging it out in the front line of the price war, but that probably makes it the sector's safest bet, if not the most exciting one.

NEWS DIGEST

Morgan Crucible to float offshoots

Morgan Crucible, the industrial ceramics and speciality materials group, yesterday confirmed plans to raise about £40m by floating eight non-core engineering businesses.

The subsidiaries – devoted to aerospace, industrial sensors and instruments – are coming to the market as part of Emblem Technology, a new company formed for the purpose.

Proceeds from the flotation, handled by Panmure Gordon, will be used to strengthen Morgan Crucible's balance sheet by reducing gearing from 40 to 30 per cent.

Mr Norman Cave, Emblem chief executive, predicted the companies would enjoy improved growth prospects outside the Morgan Crucible umbrella.

While aerospace will be Emblem's largest division, Mr Cave said the group would enjoy a strong position in instruments and sensors – accounting for 38 per cent of group sales.

Moreover, profits for the year ending January 4, 1997, were likely to be not less than £5.1m.

The new company, expected to come to market almost debt-free, is due to begin trading next month. *Tim Burt*

NSM plans to sell US side

Shares in NSM almost halved yesterday after the highly geared coal mining group warned it expected to make an interim loss and to sell its US operations at less than book value. The warning, which wiped 19½p from NSM's 42½p share price, is the latest sign of difficulties among the UK's small band of mining companies.

Mr John Jermine, NSM chairman, said the company needed to sell its profitable US business, PBS Coals, to cut gearing. Net debt of £95m ($156.8m) gave gearing of 112 per cent at the company's March 31 year-end.

NSM's US business is expected to be sold in the new year at a "substantial discount" to its net asset value of about £140m. *Jane Martinson*

Cocoa depresses ED&F Man

ED&F Man, the commodity trading and financial services group, reported a 17 per cent fall in interim pre-tax profits to £27.2m ($44.9m) yesterday, chiefly because of difficulties in its cocoa and sugar divisions.

Mr Harvey McGrath, managing director, said that the problems in the cocoa division partly stemmed from a large spot position held by a rival trade house which had depressed demand. With almost all the group's earnings dollar-based, he said the current strength of sterling could lead to a 3 per cent fall in this year's profits. *Jane Martinson*

Glenmorangie achieves £4.3m

Glenmorangie, the distiller, reported a 22 per cent rise in underlying interim pre-tax profits as its strategy of switching into higher-value malt and blended whiskies gained momentum.

Sales of bottled whiskies rose 69 per cent, to 78 per cent of the total, while those of bulk spirits to other distillers and blenders slipped. Turnover rose 26 per cent to £22.8m in the six months to September 30.

"In China, we're two or three years away from profit, and in India another year away," said Mr Geoffrey Maddrell, chairman. *Roderick Oram*

Powell Duffryn to speed sales

By Tim Burt

Powell Duffryn, the engineering, ports and storage group, yesterday vowed to accelerate its disposal programme by selling a further eight businesses with combined assets of £62m ($102m).

The group, which has raised £28.7m from disposals in the past 12 months, said it would sell its US storage terminals and its UK fuel distribution activities in a restructuring aimed at focusing solely on engineering and ports.

Shares in the group, however, fell 20½p to 407½p, after it admitted that second half profits would be dented by the absence of earnings from its UK and South African coal storage and terminal operations, which were sold earlier this year.

Mr Barry Hartiss, chief executive, also voiced concerns about the impact of weakness in the construction sector, served by its building services operations.

"In that area, we have been affected by tighter margins and lower turnover," he said. "That is expected to continue in the second half."

Mr Hartiss was speaking after announcing a 9 per cent increase in underlying operating profits from £20.4m to £22.2m, despite reduced sales of £414m (£435.1m) in the six months to September 30.

"The operating profit growth had been derived wholly from the ports and engineering businesses," he added.

At the pre-tax level, the figures rebounded from losses of £13m to profits of £6.6m. The 1995 interims, however, were distorted by £29.5m of exceptional charges; this year's were hampered by an £11.5m write-down on Powell Duffryn's terminals.

Of the operating divisions, ports and shipping services saw profits rise from £12.6m to £13.5m. The engineering businesses – including Hamworthy – enjoyed increased gains to £8.5m (£7.5m).

Profits from terminals rose from £400,000 to £900,000, while losses in fuel distribution were £1.6m (£1.5m).

RESULTS

		Turnover (£m)		Pre-tax profit (£m)		EPS (p)		Dividends: Current payment (p)	Date of payment	Corresponding dividend	Total for year	Total last year
Avesco	6 mths to Sept 30	10.6	(8.7)	1.76♥	(0.81)	16.1	(8.3)	2	Jan 6	1.5	-	4
Babcock Intl	6 mths to Sept 30	319.7	(393.7)	4.68♥	(19.2♥)	1.8	(10.77)	0.625大	Jan 30	1.25	-	3大大
British Energy	6 mths to Sept 30※	838	(712)	53L	(169L)	4.6L	(24.1L)	4.6	Jan 28	-	-	-
Chloride	6 mths to Sept 30★	64.4	(59)	4.79♥	(3.54♥)	1.65	(1.21)	0.18	Jan 31	0.133	-	0.45
City of London PR	6 mths to Sept 30	1.18	(1.47)	0.49	(0.436)	4.54	(3.93)	1.7	Jan 15	1.54	-	5.08
Dart	6 mths to Sept 30	36.9	(35)	2.41	(2.02)	10.1	(8.9)	2.1	Jan 10	1.9	-	5.9
David Glass Φ	6 mths to Sept 30	0.737	(0.495)	0.269	(0.141)	3.34†	(1.85)	3	Jan 3	-	-	2
DBS Φ	6 mths to Sept 30	53.8	(33.8)	2.73♠	(1.31♠)	22.5†	(12.9)	6	Jan 24	3.5	-	12
Elliott (B)	6 mths to Sept 29	56.7	(57.6)	1.14L♠	(2.42)	4.01L†	(4.88)	1.2	Jan 31	1.2	-	3
Glenmorangie	6 mths to Sept 30	22.8	(18.1)	4.3	(4.02♥)	22.07	(20.93)	3.025	Jan 15	2.75	-	12
Honeysuckle	Yr to May 31	20.5	(19.3)	1.21L	(0.58)	10.3L	(4.7)	0.5	Feb 10	1.5	1	2.5
Lowndes Lambert	6 mths to Sept 30	46.4	(45.5)	5	(6)	5.4	(6.9)	2.9	Feb 3	2.9	-	8.4
Macdonald Hotels	6 mths to Sept 29	19.2	(15.4)	4.58	(2.72♠)	5.78	(4.81)	1.5	Jan 9	-	-	-
Man (ED&F)	6 mths to Sept 30	-	(-)	27.2♥	(32.8♠)	8.9	(8.5)	3.4	Feb 7	3.2	-	10.1
Nursing Home Φ	Yr to Sept 30◆	3.51	(0.825)	1.14	(0.14)	4.44†	(2.32)	1.25	Jan 3	0.8	3.7	0.8
On Demand §	Yr to July 31	11.4	(8.79)	2.9L	(3.65L)	5.6L†	(7.2L)	-	-	-	-	-
Powell Duffryn	6 mths to Sept 30	414	(435.1)	6.6♠	(13L♠)	1.9L	(18.7L)	8	Jan 7	8	-	25
Quadramatic	Yr to Sept 29	62.3	(46)	13	(10)	18.6†	(16.3)	5.5	Feb 14	4.95	9.3	8.15
Robert Wiseman	6 mths to Sept 28	91	(58.9)	6.11	(3.92♠)	5.47†	(3.79)	1.15	Feb 20	1	-	3.1
Safeway	28 wks to Oct 12	3,477	(3,178)	228.2	(213.7)	14.4‡	(13.2)	4.4	Feb 10	4.05	-	12.75
Shield Diagnostics	6 mths to Sept 30	2.73	(2.73)	0.291L	(0.044)	1.56L	(0.18)	-	-	-	-	-
Storehouse	28 wks to Oct 12	590.5	(518.8)	17♠	(34.5♥)	1.9	(5.6)	3.3	Feb 11	3	-	7.2
Tex	6 mths Sept 30	12	(10.8)	0.65	(0.225)	6.9	(2.4)	2	Feb 18	-	-	2
Tomkinsons	Yr to Sept 28	26.3	(20.6)	1.39♠	(1.13)	14.5	(12.3)	8	Feb 20	8	11.5	11.5
Waddington	6 mths to Sept 28	155.6	(144)	15.5	(11.5)	10.54	(7.9)	4.4	-	4	-	9.4
Vocalis	6 mths to Sept 30	0.63	(0.25)	0.85L	(0.58L)	2.91L	(2.27L)	-	-	-	-	-
York Waterworks	6 mths to Sept 30	4.34	(4.26)	1.8	(1.7)	19.3†	(18.8)	4.2	Jan 21	3.85	-	11.75

Investment Trusts		NAV (p)		Attributable Earnings (£m)		EPS (p)		Current payment (p)	Date of payment	Corresponding dividend	Total for year	Total last year
Advent VCT	6 mths to Sept 30	95.5	(-)	0.588	(-)	1.9	(-)	1.6	Dec 16	-	-	-
Aser Opportunity	Yr to Sept 30	97.9	(99.2)	0.15L	(0.127L)	0.99L	(0.85L)	-	-	-	-	-
Gartmore Shared	6 mths to Oct 31	83.7	(88.2)	3.04	(2.1)	4.58†	(4.67)	2.475§§	Dec 31	2.4	-	9.6
Personal Assets	6 mths to Oct 31	£119.6	(£115.1)	0.283	(0.245)	1.61†	(1.6)	115	Nov 22	110	-	220
Shires Income	6 mths to Sept 30★	300.2‡	(277.5‡)	2.82	(2.72)	10.12	(9.84)	4.2‡‡	Jan 31	4.2	-	16.8

Earnings shown basic. Dividends shown net. Figures in brackets are for corresponding period. ♠After exceptional charge. ♥After exceptional credit. †On increased capital. 大Foreign income dividend. 大大Included FID element. ※Pro forma. ★Comparatives restated. ΦAim stock. ◆Comparatives for 18 months. §USM stock. ‡On reduced capital. §§Second interim, makes 4.95p to date. ‡Fully diluted. ‡‡Second interim, makes 8.3p to date.

UK gilts jump on strong overseas buying

GOVERNMENT BONDS

By Richard Adams in London and Lisa Bransten in New York

European government bond markets generally had a slightly negative session, with the marked exception of UK gilts. US Treasuries, meanwhile, traded quietly as market participants continued to digest the recent supply of new bonds.

UK gilts turned in a solid performance as a stream of buying from overseas investors helped the market to avoid any pre-Budget torpor.

Dealers in London said that the past week had seen growing demand for gilts from overseas buyers, attracted by their relative cheapness compared with other European bonds, and by this week's proposals for reforms in tax payments by overseas holders.

On Liffe, December long gilt futures settled at 110 22/32, a rise of ½ from Wednesday's settlement price. In the cash market, the benchmark 2000 gilt rose by ⅛ to 103⅛ to yield 7.10 per cent, while the 2006 gilt rose by ⅜ to 100 3/32, to yield 7.48 per cent.

Much of the demand was said to be coming from Japanese funds. The flows out of yen into sterling to pay for the bonds are believed to have been a significant factor in sterling's rise from Y186.5 to Y188.2 yesterday.

Mr Nick Parsons, analyst at Paribas Capital Markets in London, said he was not surprised to see the upturn in overseas buying. "It makes no sense at all that gilts are the highest yielder in all of Europe, bar Greece," Mr Parsons said.

Domestic demand, meanwhile, had been flat as cautious UK institutional investors await next week's budget.

The rise in gilts followed third-quarter GDP figures showing an annualised rise of 2.3 per cent, in line with market expectations but with the background figures being positive for gilts.

Analysts at HSBC Markets in London said: "With a quarter of the growth in the third quarter being accounted for by a rebound in stockbuilding, the underlying picture is somewhat weaker than the headline figures suggest and shows few signs of overheating."

In spite of the strong performance, the 10-year yield spread between gilts and their German counterparts narrowed by only 6 basis points to 179 points.

French bonds were little affected by the ups and downs of the franc yesterday, as only 12 per cent of French bonds are held outside of the country.

This is an historically low level of overseas participation, due to the fact that OATs now yield less than German bunds. In recent years, foreign investors have held up to one-third of existing OATs.

Matif's December notional bond futures fell slightly, by 0.07 to 127.64. Ms Marie Owens Thomsen, chief economist at BIP-Dresdner Bank in Paris, said the possibility still existed of a five basis point cut by the Bank of France next week, but only if the franc remained strong against the D-Mark.

Spanish bond futures settled up on the day's trading by 0.43, at 111.01, as traders continued to anticipate a reduction in the Bank of Spain's securities repurchase rate today.

Italian government bonds (BTPs) were rallied in late trading by the confirmation of a low inflation figure, with the release of the Italian November preliminary price index.

Data from six sample cities predicted an annual figure of 2.6 per cent. BTP futures on Liffe settled at 127.27, down 0.03 from the previous day's price of 127.30.

US Treasury prices were almost flat by midday yesterday as Wall Street digested the new round of supply that has come on to the market this week.

Near midday, the benchmark 30-year Treasury was 1/32 weaker at 101 9/32 to yield 6.403 per cent. At the short end the two-year note lost 1/32 to 99 29/32, yielding 5.659 per cent. The new five-year note, which was auctioned on Wednesday, was trading for 99¾ with a yield of 5.912 per cent.

The December 30-year bond future, meanwhile, fell by 1/32 to 115⅜.

There was little reaction to data showing that first time claims for unemployment benefits jumped by 17,000 to 344,000 last week.

Economists from Donaldson, Lufkin & Jenrette warned that the weekly figures can be very volatile, but they added that if the number of people filing new unemployment claims remained above 340,000, it would indicate "a clear moderation from [the tight] labour conditions that were prevalent in the early fall and late summer".

CAPITAL MARKETS NEWS DIGEST

S&P to formalise unsolicited ratings

Standard & Poor's, the US credit rating agency, is moving closer to formalising the issuance of unsolicited ratings, which are issued without co-operation from the rated entity. Before the end of the year, it will have issued such ratings on emerging market banks in Singapore, Malaysia, Mexico, Colombia and Slovakia, as well as Japanese regional banks. S&P said borrowers would be informed before such ratings were issued and offered the chance to co-operate for a full rating.

The agency has defined a new rating scale reduced to nine notches, ranging from AAA to D, but without the differentiation of plus and minus signs. Its full scale comprises 21 notches. "Because 'pi' ratings are based on public information, it is not feasible to provide the same degree of precision as that available in S&P's traditional ratings," the agency explained. It also said the ratings would only be reviewed annually, or in the wake of significant events. *Samer Iskandar, London*

Short-selling funds ahead

Short-selling hedge funds – which bet on a fall in share prices – defied the US stock market's rise and surpassed all other types of hedge funds in October, gaining on average 8.7 per cent.

"One might assume that short-selling hedge funds would have suffered as the Dow Jones [index] eased past the 6,000 mark," said Mr George Van, chairman of US investment advisory firm Van Hedge Fund Advisors. Mr Van said this outperformance was due to the correction suffered by small capitalisation stocks, notably in the technology sector. *Samer Iskandar*

OMLX volatility futures

A new range of futures contracts based on market volatility is being launched on the OMLX, the London offshoot of the Swedish derivatives exchange. The new VOLX futures, which start trading today, settle according to the price volatility (a measure of the frequency and magnitude of price changes in the market) of a range of equity markets.

Four VOLX contracts, for March, June, September and December, are being launched, based on markets in the UK, Germany and Sweden. Each contract uses the underlying index as its reference point, which in the UK will be the FTSE 100. The products have been devised by Albourne Partners, a consultancy focused on the activities of hedge funds. *Joel Kibazo, London*

DTB extends trading hours

DTB, the German derivatives exchange which is part of Deutsche Börse, is extending trading hours on its interest rate products by 1¼ hours. It said the change would benefit those trading on the DTB system from the US. Trading hours will be extended to 7pm local time (6pm GMT), from 5.30pm. *Reuter, Frankfurt*

United News & Media launches convertible

INTERNATIONAL BONDS

By Conner Middelmann

Lifted by the strong performance of the UK currency and the gilts market, the eurosterling sector had an active day yesterday.

In the equity-linked market, United News & Media, the UK media and publishing group which owns, among others, the Daily Express and the Express on Sunday, issued a £180m convertible bond that was widely welcomed, in spite of its aggressive pricing.

"Recent redemptions have meant that there's a dearth of supply in the sterling convertible market, so it was good to see a liquid new issue," one banker said. "It was fully priced, but fair."

Strong demand for sterling convertibles allowed the borrower to achieve the most aggressive pricing possible within the indicated terms.

The seven-year bonds carry a coupon of 6⅛ per cent – the bottom of the 6⅛ to 6⅜ per cent indicated range – and were priced at a conversion premium of 18 per cent, the top of the 14 per cent to 18 per cent range.

Lead manager Dresdner Kleinwort Benson said the bonds met strong demand, especially from continental Europe. "Sterling's current strength and the buoyant UK equity and bond markets make convertibles very attractive," said a syndicate official.

The company plans to use the proceeds of the issue to refinance the short-term debt it raised towards its recent acquisition of the Blenheim Group, the exhibitions organiser.

Elsewhere, Morgan Guaranty Trust issued £150m of five-year bonds yielding 16 basis points over gilts at the re-offer price. The issue follows two recent five-year sterling issues for L-Bank and Bayerische Landesbank.

However, a syndicate official at lead manager J.P. Morgan said: "We have seen continued demand for sterling paper which wasn't satisfied by the recent issues." He reported strong bids from retail and institutional investors in Switzerland, Benelux and East Asia who felt the underperformance of the UK bond market had gone too far.

The European Investment Bank, meanwhile, increased a £250m offering it launched in August by a further £100m to satisfy pent-up demand from continental European retail investors, lead manager Nikko said.

The bonds were originally launched at a spread of 3 basis points over gilts; that fell to as low as 20 basis points through gilts, and yesterday's increase was priced at a spread of 5 basis points below gilts.

New international bond issues

Borrower	Amount m.	Coupon %	Price	Maturity	Fees %	Spread bp	Book-runner
US DOLLARS							
Russian Federation	1bn	9.25#	99.581R	Nov 2001	1.00R	+345(M 5yr)	JP Morgan/SBC Warburg
LKB Baden-Württemberg	250	6.00	99.40R	Dec 2002	0.225R	+12(M 5yr)	BGB Intl/Merrill Lynch
ACSOT, Class A(a)•‡	160	(a1)	99.666R	Jan 2007	0.60R	-	Lehman Brothers Intl
Finnish Export Credit(b)•	90	5.85#	100.00	Dec 1999	0.35	-	Wako Intl (Europe)
D-MARKS							
Merrill Lynch & Co‡	200	(b)	99.87R	Dec 2003	0.20R	-	Merrill Lynch (Deutsch)
YEN							
Export Dev'ment Corp(c)‡	15bn	5.45#	98.50	Dec 1999	0.20	-	LTCB International
SWISS FRANCS							
Sigma Finance(d)	75	3.25	101.50	Nov 2001	2.00	-	SBC Warburg
STERLING							
United News & Media(e)§	180	6.125#	100.00	Dec 2003	2.50	-	Dresdner-KB
Morgan Guaranty Trust Co(f)	150	7.375	99.417R	Dec 2001	0.25R	+16(7%-01)	JP Morgan Securities
European Investment Bank(g)	100	7.00	99.37	Dec 2000	0.25	-	Nikko Europe
FRENCH FRANCS							
European Investment Bank‡	1.5bn	(g)	100.00R	Jan 2007	0.325R	-	Société Générale
LUXEMBOURG FRANCS							
Cera Bank(h)‡	2bn	(h1)	101.45	Dec 2003	1.875	-	BCEE/Cera Bank
BGB Finance (Ireland)	2bn	6.00	102.25	Jan 2002	1.75	-	Banque Paribas Lux

Final terms, non-callable unless stated. Yield spread (over relevant government bond) at launch supplied by lead manager. ‡Unlisted. §Convertible. •Floating-rate note. #Semi-annual coupon. R: fixed re-offer price; fees shown at re-offer level. a) Annuitised Collateralised Bond Obligation Trust. Callable on 20/1/01 at par. Average life: 7.9 yrs. a1) 3-mth libor +45bp. b) 3-mth Libor +⅛%. c) Redeemed in A$. d) SFr125m launched 30/10/96 increased to SFr200m. e) Conversion price: 605p. Callable from 17/12/01 at par. Over-allotment option: £23m. f) Fungible with £250m. Plus 9 days accrued. g) 4½% to 10/1/01, then TEC-10 -66bp, minimum 4⅛%. h) Puttable on 31/12/00 at par. h1) 5⅛% to 31/12/00, then 3-yr Oca -37½bp, minimum 5⅛%. i) Long 1st coupon.

WORLD BOND PRICES

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Day's change	Yield	Week ago	Month ago
Australia		6.750	11/06	97.3570	-0.140	7.12	7.08	7.59
Austria		5.875	07/06	99.4100	-0.040	5.95	5.93	5.96
Belgium		7.000	05/06	107.0300	-0.020	6.01	6.00	6.09
Canada *		7.000	12/06	106.5500	+0.450	6.12	6.15	6.71
Denmark		8.000	03/06	107.9800	-0.080	6.82	6.78	6.84
France	BTAN	5.500	10/01	102.7411	-0.180	4.88	4.83	4.99
	OAT	6.500	10/06	104.8000	-0.120	5.86	5.83	5.97
Germany Bund		6.250	04/06	102.8700	-	5.84	5.82	6.03
Ireland		8.000	08/06	108.7700	+0.170	6.75	6.84	6.89
Italy		9.500	02/06	112.2100	-0.120	7.64†	7.59	8.10
Japan	No 140	6.600	06/01	121.5318	-0.180	1.66	1.57	1.63
	No 182	3.000	09/05	102.5321	-0.300	2.65	2.67	2.77
Netherlands		8.500	06/06	119.2900	+0.030	5.82	5.81	5.95
Portugal		9.500	02/06	115.9700	+0.070	7.10	7.18	7.56
Spain		8.800	04/06	110.8300	+0.610	7.16	7.28	7.72
Sweden		6.000	02/05	93.3832	+0.120	7.07	7.16	7.14
UK Gilts		8.000	12/00	103-03	+4/32	7.10	7.21	6.78
		7.500	12/06	100-03	+12/32	7.48	7.58	7.47
		9.000	*10/08*	*111-02*	*+14/32*	*7.57*	*7.67*	*7.80*
US Treasury *		6.500	10/06	102-25	+14/32	6.12	6.16	6.56
		6.500	11/26	101-09	+23/32	6.40	6.45	6.85
ECU (French Govt)		7.000	04/06	105.2200	-0.070	6.24	6.24	6.31

London closing, *New York mid-day. Yields: Local market standard.
† Gross (including withholding tax at 12.5 per cent payable by nonresidents)
Prices: US, UK in 32nds, others in decimal. Source: MMS International

US INTEREST RATES

Latest		Treasury Bills and Bond Yields			
		One month	-	Two year	5.86
Prime rate	8¼	Two month	-	Three year	5.77
Broker loan rate	7	Three month	5.15	Five year	5.91
Fed.funds	5¼	Six month	5.25	10-year	6.12
Fed.funds at intervention	-	One year	5.40	30-year	6.40

BOND FUTURES AND OPTIONS

France

■ NOTIONAL FRENCH BOND FUTURES (MATIF) FFr500,000

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Dec	127.74	127.64	-0.06	127.82	127.56	111,923	160,763
Mar	127.64	127.52	-0.08	127.68	127.46	8,364	54,059
Jun	126.42	126.30	-0.08	126.42	126.24	99	6,678

■ LONG TERM FRENCH BOND OPTIONS (MATIF)

Strike Price	CALLS Nov	CALLS Dec	CALLS Mar	PUTS Nov	PUTS Dec	PUTS Mar
124	-	-	-	-	-	0.26
125	2.66	-	-	-	0.07	-
126	1.66	-	2.13	0.01	0.20	0.61
127	0.71	-	-	0.07	0.45	-
128	0.11	0.46	-	0.47	0.92	-

Est. vol. total, Calls 12,730 Puts 10,175. Previous day's open int., Calls 167,933 Puts 183,018.

Germany

■ NOTIONAL GERMAN BUND FUTURES (LIFFE)* DM250,000 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	100.99	100.92	+0.04	101.05	100.75	179660	246313
Mar	99.99	99.97	+0.07	100.08	99.78	11024	34025

■ BUND FUTURES OPTIONS (LIFFE) DM250,000 points of 100%

Strike Price	CALLS Dec	CALLS Jan	CALLS Feb	CALLS Mar	PUTS Dec	PUTS Jan	PUTS Feb	PUTS Mar
10050	0.44	0.32	0.60	0.75	0.02	0.85	1.13	1.28
10100	0.05	0.18	0.42	0.56	0.13	1.21	1.45	1.59
10150	0.01	0.09	0.28	0.41	0.59	1.62	1.81	1.94

Est. vol. total, Calls 16049 Puts 13457. Previous day's open int., Calls 230891 Puts 252282

Italy

■ NOTIONAL ITALIAN GOVT. BOND (BTP) FUTURES (LIFFE)* Lira 200m 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	127.55	127.27	-0.03	127.76	126.69	79476	109025
Mar	126.70	126.44	-0.03	126.85	126.00	3410	9718

■ ITALIAN GOVT. BOND (BTP) FUTURES OPTIONS (LIFFE) Lira200m 100ths of 100%

Strike Price	CALLS Dec	CALLS Mar	PUTS Dec	PUTS Mar
12700	0.27	1.95	0	2.51
12750	0	1.72	0.23	2.78
12800	0	1.52	0.73	3.08

Est. vol. total, Calls 5143 Puts 5830. Previous day's open int., Calls 200582 Puts 208497

Spain

■ NOTIONAL SPANISH BOND FUTURES (MEFF)

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Dec	110.77	110.58	+0.44	111.28	110.30	97,732	65,985
Mar	110.34	110.10	+0.44	110.63	109.91	808	4,004

UK

■ NOTIONAL UK GILT FUTURES (LIFFE)* £50,000 32nds of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	110-11	110-22	+0-14	110-30	110-06	62033	130822
Mar	109-18	110-01	+0-15	110-04	109-18	7286	19147

■ LONG GILT FUTURES OPTIONS (LIFFE) £50,000 64ths of 100%

Strike Price	CALLS Dec	CALLS Jan	CALLS Feb	CALLS Mar	PUTS Dec	PUTS Jan	PUTS Feb	PUTS Mar
110	0-46	0-63	1-25	1-44	0-02	0-61	1-23	1-42
111	0-05	0-36	0-61	1-14	0-25	1-34	1-59	2-12
112	0	0-19	0-40	0-55	1-20	2-17	2-38	2-53

Est. vol. total, Calls 11095 Puts 2722. Previous day's open int., Calls 59184 Puts 38869

Ecu

■ ECU BOND FUTURES (MATIF) ECU100,000

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Dec	95.08	94.94	-0.08	95.08	94.80	3,615	7,493
Mar	94.64	94.50	-0.08	94.64	94.56	245	176

US

■ US TREASURY BOND FUTURES (CBT) $100,000 32nds of 100%

	Open	Latest	Change	High	Low	Est. vol.	Open int.
Dec	115-20	115-19	-0-04	115-29	115-14	357,044	371,012
Mar	115-07	115-07	-0-04	115-17	115-03	14,489	73,997
Jun	114-28	114-24	-0-03	115-00	114-23	422	10,146

Japan

■ NOTIONAL LONG TERM JAPANESE GOVT. BOND FUTURES (LIFFE) Y100m 100ths of 100%

	Open	Close	Change	High	Low	Est. vol	Open int.
Dec	124.38	-	-	124.57	124.32	2577	n/a
Mar	123.49	-	-	123.70	123.49	1035	n/a

* LIFFE futures also traded on APT. All Open interest figs. are for previous day.

FTSE Actuaries Govt. Securities — UK Indices

Price Indices UK Gilts	Thu Nov 21	Day's change %	Wed Nov 20	Accrued interest	xd adj. ytd		Low coupon yield Nov 21	Nov 20	Yr. ago	Medium coupon yield Nov 21	Nov 20	Yr. ago	High coupon yield Nov 21	Nov 20	Yr. ago
1 Up to 5 years (21)	120.87	0.09	120.76	2.17	8.90	5 yrs	7.18	7.21	7.15	7.24	7.28	7.16	7.28	7.31	7.23
2 5-15 years (18)	150.33	0.26	149.94	3.14	9.84	15 yrs	7.67	7.73	7.80	7.65	7.69	7.84	7.63	7.73	7.92
3 Over 15 years (8)	170.37	0.51	169.50	4.54	9.83	20 yrs	7.75	7.80	7.85	7.70	7.76	7.89	7.68	7.78	7.94
4 Irredeemables (6)	192.63	0.67	191.35	0.86	13.47	Irred.†	7.79	7.85	7.98						
5 All stocks (53)	144.67	0.25	144.31	3.02	9.64										

Index-linked							Inflation 5% Nov 21	Nov 20	Yr. ago	Inflation 10% Nov 21	Nov 20	Yr. ago
6 Up to 5 years (2)	202.79	0.05	202.69	0.82	5.28	Up to 5 yrs	3.15	3.16	2.81	2.45	2.46	1.61
7 Over 5 years (10)	195.64	0.15	195.34	1.21	4.71	Over 5 yrs	3.50	3.51	3.55	3.30	3.30	3.35
8 All stocks (12)	195.33	0.14	195.06	1.16	4.69							

Average gross redemption yields are shown above. Coupon Bands: Low: 0%-7¾%; Medium: 8%-10¾%; High: 11% and over. † Flat yield. ytd Year to date.

FT Fixed Interest Indices

	Nov 21	Nov 20	Nov 19	Nov 18	Nov 15	Yr ago	High*	Low*
Govt. Secs. (UK)	94.59	94.28	94.66	94.49	94.10	94.73	96.34	91.59
Fixed Interest	116.76	116.41	116.53	115.85	115.72	113.33	116.76	110.74

Gilt Edged Activity Indices

	Nov 20	Nov 19	Nov 18	Nov 15	Nov 14
Gilt Edged bargains	117.8	118.6	119.9	129.6	109.1
5-day average	119.0	114.5	113.1	107.6	102.5

 * for 1996. Government Securities high since compilation: 127.4 (09/01/35), low 49.18 (03/01/75). Fixed Interest high since compilation: 133.87 (21/01/94), low 50.53 (03/01/75). Basis 100: Government Securities 15/10/26 and Fixed Interest 1928. SE activity indices rebased 1974.

UK GILTS PRICES

Notes	Yield Int	Yield Red	Price £	+ or -	52 week High	52 week Low
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Other Fixed Interest

Notes	Yield Int	Yield Red	Price £	+ or -	52 week High	52 week Low
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

FT/ISMA INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market. Latest prices at 7:00 pm on November 21

	Issued	Bid	Offer	Chg	Yield
U.S. DOLLAR STRAIGHTS					
Abbey Natl Treasury 6½ 03	1000	101⅛	101⅜	+⅛	6.27
ABN Amro Bank 7¼ 05	1000	103¾	104	+¼	6.78
African Dev Bk 7⅜ 23	500	103⅛	103⅝	+⅜	7.10
Alberta Province 7⅝ 98	1000	103⅛	103⅜	+⅛	5.88
Asian Dev Bank 6¼ 05	750	99⅜	99⅝	+⅛	6.44
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Spain 7¼ 03	4000	108⅞	109	-⅛	5.53
Volkswagen Intl Fin 7 03	1000	106¼	106⅜	-⅜	5.81
World Bank 5⅞ 03	3000	102⅜	102½		5.46
World Bank 6⅜ 02	3000	104¼	104⅜	-⅜	5.26
World Bank 7⅛ 05	3000	107¾	107¾	-¼	5.92
SWISS FRANC STRAIGHTS					
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Abbey Natl Treasury 8 03 £	1000	101⅜	101½	+¼	7.70
British Land 8⅞ 23 £	150	96¼	96½	+¼	9.47
Denmark 6⅜ 98 £	800	99⅜	99½		7.11
Depfa Finance 7¼ 03 £	500	96⅞	97⅛		7.72
EIB 8 03 £	1000	102½	102¾	+⅛	7.49
Glaxo Wellcome 8¾ 05 £	500	104¾	105	+¼	7.99
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

[illegible]

CURRENCIES AND MONEY

Pound hits highest level since ERM exit

MARKETS REPORT

By Simon Kuper

Sterling yesterday soared to its highest level since the week it was forced out of the European exchange rate mechanism in September 1992. Measured against a trade weighted basket of currencies, it closed in London at the index level of 92.8.

It gained 2.1 pfennigs against the D-Mark and reached yet another four-year high against the US currency after a 1.3 cent rise to $1.690.

Sterling was driven upwards by the market's belief that UK base rates will rise next month. However, Mr Nick Stamenkovic, economist at DKB International in London, cautioned that a tight Budget next week could reduce the need for a rate hike.

Yesterday's UK data made little impact on the market: third quarter GDP rose 0.8 per cent as expected, and even the far higher than expected second quarter current account estimate failed to affect the pound.

The French franc fell sharply against the D-Mark, given the very narrow range in which it normally trades. It fell from FFr3.383 to FFr3.389 on fears that a growing number of French politicians oppose the government's *franc fort* policy.

The lira initially continued its sharp rise of the day before, reaching L995 to the D-Mark, but later fell on suspected selling of lira by the Bank of Italy. The currency closed in London just L0.8 stronger on the day at L999.2.

Traders also said the Bank of Spain intervened in the market, selling pesetas after the currency broke through resistance at 84 ptas to the D-Mark. The peseta was buoyed by positive comments on inflation from the central bank.

But Spain is thought to want to stop its currency from rising too far in order to protect exporters. The peseta closed just 0.03 ptas stronger against the D-Mark in London yesterday.

The dollar barely moved against the D-Mark. It gained Y0.2 against the yen after the Japanese government closed the regional Hanwa Bank. Tokyo's move suggested that the financial system's bad debt crisis persists.

■ The D-Mark/French franc rate has been almost static recently. Yesterday the franc fell a little at last, as the market's doubts grew about whether France could sustain the *franc fort* policy.

The Paris government appears wholly behind the strong franc, even though unemployment is a big worry. But many politicians outside government want to see a franc weakening.

Yesterday Mr Philippe Seguin, the Gaullist National Assembly speaker, joined the chorus. He said that comments on European monetary union the day before by Mr Valery Giscard d'Estaing, the former French president, were "impeccable" and made "good sense". Mr Giscard d'Estaing had called for a franc depreciation.

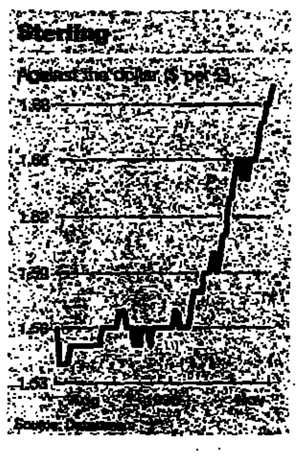
But after meeting German Chancellor Helmut Kohl yesterday evening, the former president retracted the comments, saying the franc's level against the D-Mark was "no problem", although the currency should fall against the dollar.

The German government had already issued a statement in the afternoon saying that both Germany and France believe the current exchange rate is in line with economic fundamentals. Mr Jean Arthuis, the French finance minister, also rejected calls for a sharp depreciation, saying: "When the franc weakens, interest rates rise."

But with rumours that a French cabinet reshuffle is imminent, the markets will keep watching the D-Mark/French franc rate, hoping to make money out of the French currency at last.

■ Wednesday night's South African rate hike has reversed the rand's slide, temporarily at least. The currency, which has lost more than a quarter of its value this year, gained 5.4 cents yesterday to close at R4.611 to the dollar after the Reserve Bank raised the key Bank rate by 1 percentage point. The central bank was rumoured to be among yesterday's buyers of rand.

Mr Chris Stals, the bank's governor, said he was raising the rate to 17 per cent because of the unstable rand, rising money market rates and the danger of higher inflation.



■ Pound in New York

Nov 21	—Latest—	— Prev. close —
£ spot	1.6880	1.6810
1 mth	1.6880	1.6801
3 mth	1.6853	1.6773
1 yr	1.6888	1.6607

■ OTHER CURRENCIES

Nov 21	£	$
Czech Rp	44.9256 - 44.9776	26.5610 - 26.6110
Hungary	262.244 - 262.437	155.220 - 155.270
Iran	5070.60 - 5068.50	3000.00 - 3000.00
Kuwait	0.5036 - 0.5044	0.2981 - 0.2984
Poland	4.7416 - 4.7512	2.8065 - 2.8110
Russia	9282.11 - 9289.34	5494.00 - 5496.00
U.A.E.	6.2050 - 6.2061	3.6727 - 3.6730

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POUND SPOT FORWARD AGAINST THE POUND

Nov 21		Closing mid-point	Change on day	Bid/offer spread	Day's Mid high	low	One month Rate	%PA	Three months Rate	%PA	One year Rate	%PA	Bank of Eng. Index
Europe													
Austria	(Sch)	17.8263	+0.1481	178 - 347	17.8348	17.6832	17.7828	2.9	17.7263	2.2	-	-	104.8
Belgium	(BFr)	52.2080	+0.4423	718 - 441	52.2445	51.8000	52.083	2.9	51.818	3.0	50.623	3.0	105.8
Denmark	(DKr)	9.7327	+0.0828	290 - 364	9.7366	9.6521	9.7127	2.5	9.6722	2.5	9.4832	2.5	107.1
Finland	(FM)	7.8457	+0.0703	377 - 536	7.8540	7.5810	-	-	-	-	-	-	84.3
France	(FFr)	8.5845	+0.068	818 - 871	8.5874	8.5045	8.5638	2.9	8.5221	2.9	8.3174	3.1	108.3
Germany	(DM)	2.5330	+0.021	319 - 341	2.5346	2.5119	2.5265	3.1	2.5132	3.1	2.4484	3.3	107.9
Greece	(Dr)	399.531	+2.967	347 - 715	400.280	395.398	-	-	-	-	-	-	67.3
Ireland	(I£)	0.9995	+0.0029	988 - 001	1.0006	0.9958	0.9992	0.4	0.9982	0.5	0.9917	0.8	102.1
Italy	(L)	2530.84	+18.88	901 - 226	2532.51	2503.70	2534.44	-1.8	2541.94	-1.8	2546.44	-0.6	77.3
Luxembourg	(LFr)	52.2080	+0.4423	718 - 441	52.2450	51.8000	52.083	2.9	51.818	3.0	50.623	3.0	105.8
Netherlands	(Fl)	2.8415	+0.0236	400 - 429	2.8434	2.8184	2.8337	3.3	2.8182	3.3	2.7447	3.4	105.9
Norway	(NKr)	10.6768	+0.0887	729 - 807	10.6849	10.5866	10.6643	1.4	10.6443	1.2	10.5393	1.3	99.4
Portugal	(Es)	256.046	+2.321	909 - 184	256.194	253.878	256.241	-0.9	256.611	-0.9	-	-	95.7
Spain	(Pta)	213.031	+1.758	962 - 100	213.210	211.470	213.196	-0.9	213.426	-0.7	213.426	-0.2	80.0
Sweden	(SKr)	11.1809	+0.1049	701 - 917	11.1952	11.0764	11.1797	0.1	11.177	0.1	11.1646	0.1	88.5
Switzerland	(SFr)	2.1405	+0.0173	392 - 417	2.1419	2.1246	2.1324	4.5	2.1172	4.3	2.0457	4.4	107.4
UK	(£)	-	-	-	-	-	-	-	-	-	-	-	92.8
Ecu	-	1.3174	+0.0102	167 - 180	1.3184	1.3081	1.3155	1.8	1.311	1.9	1.2895	2.1	-
SDR†	-	1.148971	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	1.6897	+0.0126	893 - 900	1.6905	1.6787	-	-	-	-	-	-	-
Brazil	(R$)	1.7418	+0.0131	412 - 424	1.7425	1.7305	-	-	-	-	-	-	-
Canada	(C$)	2.2640	+0.0131	631 - 649	2.2650	2.2480	2.2586	2.7	2.248	2.8	2.189	3.3	85.8
Mexico	(New Peso)	13.3507	+0.1168	437 - 577	13.3585	13.2523	-	-	-	-	-	-	-
USA	($)	1.6899	+0.0126	895 - 902	1.6905	1.6790	1.6889	0.7	1.6863	0.9	1.6699	1.2	95.9
Pacific/Middle East/Africa													
Australia	(A$)	2.0846	-0.0127	835 - 856	2.0976	2.0733	2.0859	-0.7	2.0866	-0.4	2.0862	-0.1	95.0
Hong Kong	(HK$)	13.0660	+0.0969	629 - 691	13.0697	12.9625	13.0587	0.7	13.0449	0.6	12.9802	0.7	-
India	(Rs)	60.3277	+0.5319	307 - 247	60.4390	59.9100	-	-	-	-	-	-	-
Israel	(Shk)	5.4878	+0.0737	839 - 916	5.4920	5.4230	-	-	-	-	-	-	-
Japan	(Y)	188.114	+1.648	006 - 221	188.300	187.120	187.184	5.9	185.329	5.9	176.914	6.0	129.7
Malaysia	(M$)	4.2585	+0.0317	570 - 600	4.2633	4.2289	-	-	-	-	-	-	-
New Zealand	(NZ$)	2.3719	+0.0103	706 - 732	2.3733	2.3477	2.3786	-3.4	2.3881	-2.7	2.4089	-1.6	111.0
Philippines	(Peso)	44.3755	+0.3631	578 - 931	44.3989	44.3310	-	-	-	-	-	-	-
Saudi Arabia	(SR)	6.3378	+0.0471	361 - 394	6.3395	6.2974	-	-	-	-	-	-	-
Singapore	(S$)	2.3676	+0.0169	665 - 686	2.3695	2.3547	-	-	-	-	-	-	-
South Africa	(R)	7.7911	-0.0335	852 - 969	7.8272	7.7409	-	-	-	-	-	-	-
South Korea	(Won)	1400.80	+9.81	043 - 118	1402.87	1399.56	-	-	-	-	-	-	-
Taiwan	(T$)	46.4709	+0.3451	275 - 143	46.5412	46.1675	-	-	-	-	-	-	-
Thailand	(Bt)	42.9560	+0.345	388 - 733	42.9810	42.6840	-	-	-	-	-	-	-

† Rates for Nov 20. Bid/offer spreads in the Pound Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. Sterling index calculated by the Bank of England. Base average 1990 = 100. Index rebased 1/2/95. Bid, Offer and Mid-rates in both this and the Dollar Spot tables derived from THE WM/REUTERS CLOSING SPOT RATES. Some values are rounded by the F.T.

DOLLAR SPOT FORWARD AGAINST THE DOLLAR

Nov 21		Closing mid-point	Change on day	Bid/offer spread	Day's mid high	low	One month Rate	%PA	Three months Rate	%PA	One year Rate	%PA	J.P. Morgan index
Europe													
Austria	(Sch)	10.5490	+0.0093	462 - 518	10.5790	10.5250	10.5343	1.7	10.488	2.3	10.294	2.4	104.8
Belgium	(BFr)	30.8950	+0.0325	800 - 100	30.9770	30.8040	30.835	2.3	30.7075	2.4	30.1675	2.4	105.7
Denmark	(DKr)	5.7595	+0.0063	585 - 605	5.7720	5.7457	5.7506	1.9	5.7322	1.9	5.6505	1.9	106.8
Finland	(FM)	4.5245	+0.008	207 - 282	4.5335	4.5026	4.5157	2.3	4.497	2.4	4.4145	2.4	83.9
France	(FFr)	5.0800	+0.0144	795 - 805	5.0860	5.0580	5.0716	2.0	5.0537	2.1	4.978	2.0	108.4
Germany	(DM)	1.4990	+0.0013	988 - 993	1.5035	1.4945	1.4961	2.3	1.4902	2.4	1.4654	2.2	107.5
Greece	(Dr)	236.430	-	370 - 490	237.740	235.220	237.985	-7.9	240.555	-7.0	251.58	-6.4	66.9
Ireland	(I£)	1.6908	+0.0078	901 - 915	1.6917	1.6840	1.6904	0.3	1.69	0.2	1.6871	0.2	-
Italy	(L)	1497.55	+0.05	690 - 820	1500.75	1489.29	1500.72	-2.5	1507.15	-2.6	1520.2	-1.5	76.9
Luxembourg	(LFr)	30.8950	+0.0325	800 - 100	30.9770	30.8040	30.835	2.3	30.7075	2.4	30.1675	2.4	105.7
Netherlands	(Fl)	1.6815	+0.0016	810 - 820	1.6880	1.6765	1.6777	2.7	1.6697	2.8	1.6341	2.8	105.7
Norway	(NKr)	6.3182	+0.0056	172 - 192	6.3525	6.2980	6.3144	0.7	6.3088	0.6	6.2832	0.6	99.1
Portugal	(Es)	151.520	+0.25	470 - 570	151.830	151.200	151.725	-1.6	152.02	-1.3	152.795	-0.8	96.0
Spain	(Pta)	126.065	+0.105	050 - 080	126.850	125.820	126.245	-1.7	126.505	-1.4	127.17	-0.9	80.0
Sweden	(SKr)	6.6165	+0.013	115 - 215	6.6245	6.5860	6.6137	0.5	6.6039	0.8	6.5565	0.9	88.5
Switzerland	(SFr)	1.2667	+0.0008	662 - 671	1.2710	1.2644	1.2629	3.6	1.255	3.7	1.2222	3.5	107.1
UK	(£)	1.6899	+0.0126	895 - 902	1.6905	1.6790	1.6889	0.7	1.6863	0.8	1.6699	1.2	91.6
Ecu	-	1.2828	-0.0003	824 - 831	1.2842	1.2789	1.2841	-1.3	1.2873	-1.4	1.3038	-1.6	-
SDR†	-	0.684360	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	0.9999	-	999 - 999	0.9999	0.9999	-	-	-	-	-	-	-
Brazil	(R$)	1.0808	+0.0001	306 - 309	1.0310	1.0304	-	-	-	-	-	-	-
Canada	(C$)	1.3398	-0.0022	395 - 400	1.3400	1.3375	1.3375	2.1	1.3324	2.2	1.3048	2.6	85.0
Mexico	(New Peso)	7.9005	+0.0105	980 - 030	7.9190	7.8890	8.0185	-17.9	8.285	-19.5	9.1455	-15.8	-
USA	($)	-	-	-	-	-	-	-	-	-	-	-	96.8
Pacific/Middle East/Africa													
Australia	(A$)	1.2336	-0.0168	332 - 340	1.2348	1.2322	1.2351	-1.5	1.237	-1.1	1.2425	-0.7	95.3
Hong Kong	(HK$)	7.7321	-0.0001	318 - 323	7.7330	7.7315	7.732	0.0	7.7325	0.0	7.7436	-0.1	-
India	(Rs)	35.7000	+0.05	500 - 500	35.7600	35.6500	35.915	-7.2	36.375	-7.6	-	-	-
Israel	(Shk)	3.2475	+0.0196	459 - 491	3.2650	3.2273	-	-	-	-	-	-	-
Japan	(Y)	111.320	+0.15	280 - 360	111.870	111.270	110.845	5.1	109.84	5.3	105.64	5.1	130.4
Malaysia	(M$)	2.5201	+0.0001	197 - 204	2.5215	2.5184	2.5229	-1.4	2.5283	-1.3	2.5496	-1.2	-
New Zealand	(NZ$)	1.4036	-0.0044	031 - 041	1.4051	1.4031	1.4091	-4.7	1.4134	-2.8	1.4449	-2.9	111.1
Philippines	(Peso)	26.2600	+0.02	550 - 650	26.2650	26.2550	-	-	-	-	-	-	-
Saudi Arabia	(SR)	3.7505	-	503 - 507	3.7508	3.7502	3.7506	-0.1	3.7512	-0.1	3.7531	-0.1	-
Singapore	(S$)	1.4011	-0.0004	007 - 014	1.4080	1.4005	1.3989	1.8	1.3943	1.9	1.3731	2.0	-
South Africa	(R)	4.6105	-0.0545	080 - 130	4.6560	4.6000	4.6512	-10.6	4.7262	-10.0	5.041	-9.3	-
South Korea	(Won)	828.950	-0.35	900 - 000	830.700	828.600	-	-	-	-	-	-	-
Taiwan	(T$)	27.5000	-	800 - 200	27.5390	27.4740	27.5001	0.0	27.5003	0.0	-	-	-
Thailand	(Bt)	25.4200	+0.0155	150 - 250	25.4250	25.4130	25.51	-4.2	25.6775	-4.1	26.315	-3.5	-

† SDR rate per $ for Nov 20. Bid/offer spreads in the Dollar Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. UK, Ireland & ECU are quoted in US currency. J.P. Morgan nominal indices Nov 20: Base average 1990=100.

WORLD INTEREST RATES

MONEY RATES

November 21	Over night	One month	Three mths	Six mths	One year	Lomb. inter.	Dis. rate	Repo rate
Belgium	3	3¼	3¼	3¼	3¼	6.00	2.50	-
France	3⅝	3⅝	3⅜	3⅜	3½	3.20	-	4.75
Germany	3	3¼	3⅛	3⅛	3¼	4.50	2.50	3.00
Ireland	5½	5⅝	5⅞	5⅝	5⅞	-	-	6.25
Italy	7½	7⅞	7⅜	6⅞	6⅞	8.00	7.50	8.03
Netherlands	2⅞	2⅞	2⅞	3	3⅛	-	3.00	3.30
Switzerland	1⅜	1⅞	1⅞	2	2⅛	5.00	1.00	-
US	5⅜	5¼	5⅜	5⅞	5⅞	-	5.00	-
Japan	½	⅜	½	⅝	⅝	-	0.50	-

■ $ LIBOR FT London

Interbank Fixing	-	5⅜	5⅜	5⅜	5¾	-
US Dollar CDs	-	5.13	5.10	5.14	5.26	-
ECU Linked Ds	-	4⅜	4⅜	4⅜	4⅜	-
SDR Linked Ds	-	3⅜	3⅜	3⅜	3⅜	-

$ LIBOR interbank fixing rates are offered rates for $10m quoted to the market by four reference banks at 11am each working day. The banks are: Bankers Trust, Bank of Tokyo Mitsubishi, Barclays and National Westminster.

Mid rates are shown for the domestic Money Rates, US$ CDs, ECU & SDR Linked Deposits (Ds).

EURO CURRENCY INTEREST RATES

Nov 21	Short term	7 days notice	One month	Three months	Six months	One year
Belgian Franc	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Danish Krone	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
D-Mark	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Dutch Guilder	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
French Franc	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Portuguese Esc.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Spanish Peseta	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Sterling	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Swiss Franc	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Can. Dollar	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
US Dollar	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Italian Lira	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Yen	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Asian $Sing	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Short term rates are call for the US Dollar and Yen, others: two days' notice.

■ THREE MONTH PIBOR FUTURES (MATIF) Paris interbank offered rate

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	96.50	96.49	-0.02	96.51	96.47	16,080	45,574
Mar	96.45	96.45	-0.01	96.47	96.42	17,771	62,188
Jun	96.40	96.39	-0.01	96.42	96.37	5,711	31,598

■ THREE MONTH EUROMARK FUTURES (LIFFE) DM1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
[illegible]							

■ ONE MONTH EUROMARK FUTURES (LIFFE) DM3m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
[illegible]							

■ THREE MONTH EUROLIRA FUTURES (LIFFE) L1000m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
[illegible]							

■ THREE MONTH EURO SWISS FRANC FUTURES (LIFFE) SFr1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
[illegible]							

■ THREE MONTH EUROYEN FUTURES (LIFFE) Y100m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
[illegible]							

■ THREE MONTH ECU FUTURES (LIFFE) Ecu1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
[illegible]							

* LIFFE futures also traded on APT

■ EUROLIRA OPTIONS (LIFFE) L1000m points of 100%

Strike Price	CALLS Dec	Mar	Jun	PUTS Dec	Mar	Jun
9275	[illegible]					
9300	[illegible]					
9325	[illegible]					

Est. vol. total, [illegible]

CROSS RATES AND DERIVATIVES

EXCHANGE CROSS RATES

Nov 21		BFr	DKr	FFr	DM	I£	L	Fl	NKr	Es	Pta	SKr	SFr	£	C$	$	Y	Ecu
Belgium	(BFr)	100	18.64	16.44	4.852	1.915	4848	5.443	20.46	490.3	408.0	21.41	4.101	1.915	4.336	3.237	360.5	2.524
Denmark	(DKr)	53.64	10	8.819	2.602	1.027	2600	2.920	10.97	263.0	218.8	11.49	2.200	1.027	2.326	1.736	193.4	1.354
France	(FFr)	60.82	11.34	10	2.951	1.165	2949	3.311	12.44	298.2	248.1	13.02	2.494	1.165	2.637	1.969	219.2	1.535
Germany	(DM)	20.61	3.842	3.389	1	0.395	999.2	1.122	4.216	101.1	84.09	4.414	0.845	0.395	0.894	0.667	74.30	0.520
Ireland	(I£)	52.21	9.733	8.584	2.533	1	2531	2.842	10.68	256.0	213.0	11.18	2.141	1.000	2.264	1.690	188.2	1.318
Italy	(L)	[illegible]																
Netherlands	(Fl)	[illegible]																
Norway	(NKr)	[illegible]																
Portugal	(Es)	[illegible]																
Spain	(Pta)	[illegible]																
Sweden	(SKr)	[illegible]																
Switzerland	(SFr)	[illegible]																
UK	(£)	[illegible]																
Canada	(C$)	[illegible]																
US	($)	[illegible]																
Japan	(Y)	[illegible]																
Ecu		[illegible]																

Danish Kroner, French Franc, Norwegian Kroner, and Swedish Kronor per 10; Belgian Franc, Yen, Escudo, Lira and Peseta per 100.

■ D-MARK FUTURES (IMM) DM 125,000 per DM

	Open	Latest	Change	High	Low	Est. vol	Open int.
Dec	0.6695	0.6673	-0.0017	0.6695	0.6665	20,473	65,905
Mar	0.6726	0.6712	-0.0016	0.6726	0.6701	571	6,020
Jun	-	0.6755	-0.0011	-	0.6755	61	2,814

■ SWISS FRANC FUTURES (IMM) SFr 125,000 per SFr

	Open	Latest	Change	High	Low	Est. vol	Open int.
Dec	0.7915	0.7910	-0.0005	0.7928	0.7888	14,545	48,883
Mar	0.7952	0.7960	-0.0001	0.7960	0.7952	227	4,474
Jun	0.8039	0.8045	-0.0002	0.8045	0.8039	63	725

■ JAPANESE YEN FUTURES (IMM) Yen 12.5 per Yen 100

	Open	Latest	Change	High	Low	Est. vol	Open int.
Dec	0.8992	0.8999	+0.0005	0.9007	0.8973	14,097	68,098
Mar	0.9117	0.9114	+0.0009	0.9118	0.9085	455	3,589
Jun	-	0.9219	-	-	-	72	792

■ STERLING FUTURES (IMM) £62,500 per £

	Open	Latest	Change	High	Low	Est. vol	Open int.
Dec	1.6798	1.6856	+0.0080	1.6876	1.6786	6,932	60,782
Mar	1.6786	1.6824	+0.0066	1.6840	1.6786	186	2,098
Jun	1.6800	1.6800	+0.0094	1.6800	1.6770	4	1,267

UK INTEREST RATES

LONDON MONEY RATES

Nov 21	Over-night	7 days notice	One month	Three months	Six months	One year
Interbank Sterling	[illegible]					
Sterling CDs	[illegible]					
Treasury Bills	[illegible]					
Bank Bills	[illegible]					
Local authority deps.	[illegible]					
Discount Market deps	[illegible]					

UK clearing bank base lending rate 6 per cent from October 30, 1996

	Up to 1 month	1-3 month	3-6 months	6-9 months	9-12 months
Certs of Tax dep. (£100,000)	3½	5½	5	5	4¾

Certs of Tax dep. under £100,000 is 3½pc. Deposits withdrawn for cash 1½pc. [illegible]

■ THREE MONTH STERLING FUTURES (LIFFE) £500,000 points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
[illegible]							

Also traded on APT. All Open interest figs. are for previous day.

■ SHORT STERLING OPTIONS (LIFFE) £500,000 points of 100%

Strike Price	CALLS Dec	Mar	Jun	PUTS Dec	Mar	Jun
9350	[illegible]					
9375	[illegible]					
9400	[illegible]					

Est. vol. total, [illegible]

EMS EUROPEAN CURRENCY UNIT RATES

Nov 21	Ecu cen. rates	Rate against Ecu	Change on day	% +/- from cen. rate	% spread v weakest	Div. ind.
Ireland	[illegible]					
Portugal	[illegible]					
Spain	[illegible]					
Finland	[illegible]					
Netherlands	[illegible]					
Belgium	[illegible]					
Germany	[illegible]					
Austria	[illegible]					
Denmark	[illegible]					
France	[illegible]					
NON ERM MEMBERS						
Greece	[illegible]					
Italy	[illegible]					
UK	[illegible]					

Ecu central rates set by the European Commission. Currencies are in descending relative strength. [illegible]

■ PHILADELPHIA SE £/$ OPTIONS £31,250 (cents per pound)

Strike Price	CALLS Dec	Jan	Feb	PUTS Dec	Jan	Feb
[illegible]						

Previous day's vol., [illegible]

■ PHILADELPHIA SE D-MARK/$ OPTIONS DM62,500 (cents per DM)

Strike Price	CALLS Dec	Jan	Feb	PUTS Dec	Jan	Feb
[illegible]						

Previous day's vol., [illegible]

■ THREE MONTH EURODOLLAR (IMM) $1m points of 100%

	Open	Latest	Change	High	Low	Est. vol	Open int.
Dec	94.51	94.51	-	94.52	94.50	44,385	428,400
Mar	94.51	94.51	-	94.52	94.50	79,315	376,638
Jun	94.44	94.43	-0.01	94.45	94.42	73,605	295,928

■ US TREASURY BILL FUTURES (IMM) $1m per 100%

	Open	Latest	Change	High	Low	Est. vol	Open int.
Dec	94.99	95.01	+0.01	95.01	94.99	551	2,415
Mar	94.99	95.00	-	95.00	94.99	150	3,162
Jun	-	94.91	-	-	-	131	1,714

All Open Interest figs. are for previous day

■ EUROMARK OPTIONS (LIFFE) DM1m points of 100%

Strike Price	CALLS Dec	Jan	Feb	Mar	PUTS Dec	Jan	Feb	Mar
[illegible]								

Est. vol. total, [illegible]

■ EURO SWISS FRANC OPTIONS (LIFFE) SFr 1m points of 100%

Strike Price	CALLS Dec	Mar	Jun	PUTS Dec	Mar	Jun
[illegible]						

Est. vol. total, [illegible]

BASE LENDING RATES

[illegible]

COMMODITIES AND AGRICULTURE

Kuwait sees need for Opec dialogue on quotas

By Robert Corzine in Kuwait City

Opec needs to debate the future of its oil production ceiling and the level of national quotas at its meeting in Vienna next week, even though high prices have reduced the financial pressures for an early rise in output, according to Kuwaiti officials.

"People feel more comfortable with present prices," one senior official said yesterday. "But there needs to be more dialogue within Opec ... and there are still medium-term issues for 1997 that need to be dealt with."

These include over-production by some Opec states and the ways Opec countries "share fairly" in the growth in world oil demand.

The officials said Kuwait was keen to reach agreement on "a framework and principles" that would govern how the group could share demand growth equitably. Kuwait would not support any scheme that relied on indexation. "That sounds too mechanistic," one official said.

All 11 members of the Organisation of Petroleum Exporting Countries have enjoyed an unexpected financial bonanza this year because of a sustained rally in world oil prices.

For the past several months, the Opec basket, an index of seven crude oils, has been well above the group's reference price of $21 a barrel. It averaged $22.37 last week and on Wednesday was still comfortably above the target level at $21.94 a barrel.

The near-term outlook for oil prices remains "relatively stable," the Kuwaiti official said. But the country was still concerned about over-production by other Opec states.

Large Gulf producers, such as Saudi Arabia, Kuwait and the United Arab Emirates, have generally stuck to their quotas, even though they have the bulk of the group's surplus capacity. But persistent cheating on quotas by other members has pushed overall group production to nearly 1m barrels a day above its 25.03m b/d ceiling, according to a survey carried out by Reuters this week.

Yesterday, Opec's Economic Commission Board of technical and market experts predicted that demand for Opec oil in 1997 would remain relatively buoyant at 25.2m b/d, somewhat higher than a recent forecast by the Opec secretariat of 25m b/d.

Demand this year has been such that over-production has been easily absorbed. But Kuwaiti officials stressed that this year's strong oil price did not lessen their concern about the longer-term effects of persistent cheating.

They would not be drawn, however, on what methods might be used to bring quota violators into line. "Opec has never dealt with over-producers by threats," one official said. "It's a question of common interest."

Domestic millers force up US wheat

By Laurie Morse in Chicago

US wheat futures continued to rally yesterday, extending Wednesday's double-digit gains, as domestic millers pushed up prices to flush scarce milling-grade grain out of farmers's bins.

Statistics released by wheat futures markets in Chicago, Kansas City and Minneapolis on Tuesday showed supplies of wheat deliverable against the December futures contracts as half what they were a year ago.

Despite this year's expansion in world wheat supplies, the supply of food-grade wheat in the US remains tight, analysts said.

December wheat futures contracts begin their delivery period on November 29, and traders are positioned for those contracts' expirations.

"Our futures traders have been so focused on keeping the [Chicago Board of Trade futures] price in line with world wheat prices that they've overlooked the domestic situation," said Mr William Biedermann, a grain market analyst for the research firm Allendale.

"We needed to get wheat prices higher to slow our pace of exports, and discourage wheat's use as a feed grain."

By midday yesterday, wheat for December delivery on the CBOT had rallied more than 5 cents a bushel, to $4.22¼, adding to a 15½ cent rally posted on Wednesday.

In Kansas City, where futures on high-quality bread-making wheat are traded, prices for December delivery were up nearly 10 cents a bushel to $4.50, leaving the contract with a 26 cent gain over two trading sessions.

Forward selling hits gold price

MARKETS REPORT

By Kenneth Gooding and Deborah Hargreaves

Gold's dollar price fell to its lowest level for 20 months in London yesterday.

Traders said producers and speculators contributed to the drop: producers were selling forward to lock in future profits while speculators, mostly US hedge funds, continued to go short (sell gold they did not own in the expectation that they could buy it later at a lower price).

At the afternoon "fix" in London, gold slipped to $377 a troy ounce, the lowest since March 6 last year. In late trading in London, it lost further ground to $375 at one point, before recovering slightly to close at $376.65, down $2.50.

Mr Ted Arnold, analyst at the Merrill Lynch financial services group, said gold was continuing to erode in "a very slow but steady fashion", with most bullion dealers looking for $370 before the end of the year.

"In 1997 the low is seen by many, including ourselves, as being $350 at some point in the year," he added. He suggested that producers, refiners and speculators were increasingly selling whenever the price rallied.

A strong rally in the price would bring out "masses and masses of forward selling" by producers who failed to take advantage when gold jumped to $418 an ounce in February this year, Mr Arnold said.

Natural gas futures on the New York Mercantile Exchange surged to an all-time high in early trading yesterday, with the December futures contract hitting $3.85 per million British thermal units.

Part of the rise was attributed to a squeeze in the December contract, which was on its last trading day. Prices slipped back later.

Crude oil futures also rose sharply, partly reversing a large drop in price that happened in late trading on Wednesday. The market was led higher by stronger product prices, with gasoline showing moderate gains.

December futures on London's International Petroleum Exchange were up 46 cents to $23.01 a barrel, but did not completely reverse the 84 cent drop late on Wednesday. Nymex crude prices were also higher at mid-session.

Traders said the strength of the crude and gas markets was still dominated by colder weather and fears about stocks and storage.

Germany warms to New Zealand lamb

By Terry Hall in Wellington

Germany has become New Zealand's second most important market for lamb, helped by the switch from beef in the wake of the "mad cow" crisis.

According to new figures from the New Zealand Meat Board, Germany bought 33 per cent more lamb in the year to end-September. It was second only to the UK, traditionally New Zealand's most important market.

The board said it regarded Germany as a land of opportunity. At present only wealthier Germans buy lamb – regarding it as a special-occasion meat – and half the population have not tasted the product.

Mr Bob Donderwinkel of the NZ Meat Board said many younger Europeans were rediscovering that lamb tastes good. "They were brought up being told by their parents about wartime food shortages, and being forced to eat mutton. It was very fatty ... and this led them to believe that all sheepmeat tasted like that."

However, the board thinks that attitudes in Germany are changing. It has launched a promotion – including in-store cooking demonstrations – and sales of New Zealand lamb have risen from 25,000 tonnes to 33,000 tonnes. The trade in the year to September was worth NZ$193m (US$137m), up NZ$50m on the previous year, helped by soaring prices.

Ashley Ashwood

The improving market for sheepmeat is welcome to New Zealand sheep farmers, who are receiving low prices for wool.

Britain remains the main market for New Zealand lamb, and customers are paying substantially more for it. This is some compensation to New Zealand farmers struggling with a strong rise in the Kiwi dollar.

In the year to September, New Zealand shipped slightly more lamb to Britain – but earned NZ$76m more for it for a total of NZ$440m. The Meat Board expects the coming year will see a further increase in the value of the trade as prices are starting the new season sharply higher.

Iran, which buys lower value cuts, including frozen carcasses and mutton, is New Zealand's third biggest market, taking 20,000 tonnes worth around NZ$40m. This is sold under a contract negotiated in 1995 after the European Union beef stockpile was virtually eliminated and the Iranians began looking for alternative meat supplies. New Zealand had sold no sheepmeat to Iran in the previous two years.

The improving market for sheepmeat is welcome to New Zealand sheep farmers, who are receiving low prices for wool. Favourable spring weather has ensured extremely high survival rates for lambs.

The Meat and Wool Board's Economic Service estimates that lamb survival rates are set to break new records.

The economic service says the "excellent" figures show production efficiency and improved productivity, with fewer ewes producing more lambs. The ewes were also in good condition when they were mated again, ensuring a high survival rates for lambs.

COMMODITIES PRICES

BASE METALS

LONDON METAL EXCHANGE

(Prices from Amalgamated Metal Trading)

■ ALUMINIUM, 99.7 PURITY ($ per tonne)

	Cash	3 mths
Close	1487-8	1506-7
Previous	1476.5-77.5	1497-98
High/low	1489	1521/1500
AM Official	1488-9	1515-6
Kerb close		1504-5
Open int.	235,606	
Total daily turnover	96,458	

■ ALUMINIUM ALLOY ($ per tonne)

Close	1325-30	1350-55
Previous	1320-30	1350-55
High/low		1360/1350
AM Official	1330-35	1355-60
Kerb close		1345-50
Open int.	6,073	
Total daily turnover	1,595	

■ LEAD ($ per tonne)

Close	705-6	713-4
Previous	690.5-1.5	700-1
High/low		714/701
AM Official	700-01	710-0.5
Kerb close		713-4
Open int.	39,036	
Total daily turnover	10,291	

■ NICKEL ($ per tonne)

Close	6790-800	6890-900
Previous	6740-50	6845-50
High/low	6850/6845	6955/6850
AM Official	6840-45	6930-40
Kerb close		6865-75
Open int.	46,687	
Total daily turnover	13,996	

■ TIN ($ per tonne)

Close	6150-60	6150-60
Previous	6075-85	6075-80
High/low		6170/6080
AM Official	6135-40	6125-30
Kerb close		6150-60
Open int.	14,732	
Total daily turnover	7,874	

■ ZINC, special high grade ($ per tonne)

Close	1056.5-7.5	1079-80
Previous	1052-53	1075.5-76
High/low		1087/1075
AM Official	1061-2	1084-4.5
Kerb close		1075-6
Open int.	81,806	
Total daily turnover	24,425	

■ COPPER, grade A ($ per tonne)

Close	2349-54	2213-4
Previous	2345-50	2200-02
High/low		2216/2186
AM Official	2352-3	2208-9
Kerb close		2211-2
Open int.	174,081	
Total daily turnover	62,260	

■ LME AM Official £/$ rate: 1.6831
LME Closing £/$ rate: 1.6895

Spot: 1.6890 3 mths: 1.6855 6 mths: 1.6810 9 mths: 1.6756

■ HIGH GRADE COPPER (COMEX)

	Sett price	Day's change	High	Low	Vol	Open int
Nov	106.10	-0.70	106.80	106.00	773	1,548
Dec	105.85	+0.30	106.30	104.60	10,154	18,220
Jan	104.40	+0.15	104.50	103.50	533	3,691
Feb	102.95	-	102.95	102.95	14	1,125
Mar	101.45	+0.35	101.95	100.30	6,237	19,245
Apr	100.25	+0.35	100.40	99.80	69	633
Total					18,254	62,946

PRECIOUS METALS

■ LONDON BULLION MARKET

(Prices supplied by N M Rothschild)

Gold(Troy oz)	$ price	£ equiv	SFr equiv
Close	376.10-376.40		
Opening	377.50-377.80		
Morning fix	378.50	224.762	478.918
Afternoon fix	377.00	223.540	477.320
Day's High	378.50-378.80		
Day's Low	375.80-376.10		
Previous close	379.00-379.40		

Loco Ldn Mean Gold Lending Rates (Vs US$)

1 month	3.13	6 months	3.27
2 months	3.10	12 months	3.40
3 months	3.10		

Silver Fix	p/troy oz.	US cts equiv.
Spot	292.95	493.00
3 months	297.20	498.10
6 months	301.65	505.15
1 year	311.35	517.75

Gold Coins	$ price	£ equiv.
Krugerrand	378-380	223-225
Maple Leaf	381.40-383.85	-

Precious Metals continued

■ GOLD COMEX (100 Troy oz.; $/troy oz.)

	Sett price	Day's change	High	Low	Vol	Open int
Nov	376.4	-2.5	-	-	-	-
Dec	376.5	-2.5	379.0	375.8	23,136	63,450
Feb	378.4	-2.6	381.1	377.7	916	33,230
Apr	380.5	-2.6	382.8	379.8	1,426	14,178
Jun	382.7	-2.6	385.1	382.2	746	13,403
Aug	384.9	-2.6	-	-	1,290	5,262
Total					34,800	178,261

■ PLATINUM NYMEX (50 Troy oz.; $/troy oz.)

	Sett price	Day's change	High	Low	Vol	Open int
Jan	387.3	-0.9	388.5	386.4	1,380	17,416
Apr	389.9	-0.9	390.6	389.0	245	8,499
Jul	392.8	-0.9	393.0	393.0	1	993
Oct	395.9	-1.1	395.5	395.5	-	136
Total					1,626	27,844

■ PALLADIUM NYMEX (100 Troy oz.; $/troy oz.)

	Sett price	Day's change	High	Low	Vol	Open int
Dec	119.20	-0.45	119.50	119.00	526	3,482
Mar	120.50	-0.40	120.95	120.25	695	4,398
Jun	121.60	-0.40	-	-	5	242
Dec	123.10	-0.40	124.00	124.00	-	-
Total					1,226	8,121

■ SILVER COMEX (5,000 Troy oz.; Cents/troy oz.)

	Sett price	Day's change	High	Low	Vol	Open int
Nov	483.6	-10.4	-	-	10	-
Dec	484.0	-10.5	494.5	480.5	19,590	40,860
Jan	485.8	-10.6	-	-	-	26
Mar	491.0	-10.7	502.0	487.0	7,986	29,745
May	495.4	-10.7	505.0	493.0	154	6,918
Jul	499.9	-10.8	507.0	498.0	142	6,103
Total					28,118	91,933

ENERGY

■ CRUDE OIL NYMEX (1,000 barrels, $/barrel)

	Latest price	Day's change	High	Low	Vol	Open int
Jan	23.60	+0.27	23.84	23.36	74,793	88,178
Feb	23.30	+0.28	23.49	23.03	18,897	42,021
Mar	22.92	+0.30	23.08	22.63	8,446	24,956
Apr	22.54	+0.33	22.69	22.27	4,331	19,909
May	22.21	+0.39	22.26	21.99	2,116	14,401
Jun	21.78	+0.35	21.92	21.60	1,725	27,171
Total					153,043	373,327

■ CRUDE OIL IPE ($/barrel)

	Latest price	Day's change	High	Low	Vol	Open int
Jan	22.95	+0.41	23.07	22.76	16,372	70,935
Feb	22.47	+0.47	22.55	22.30	5,843	30,883
Mar	21.98	+0.48	22.01	21.82	2,848	28,117
Apr	21.30	+0.33	21.48	21.30	1,441	10,753
May	20.81	+0.36	20.95	20.81	806	5,787
Jun	20.48	+0.46	20.50	20.36	775	11,496
Total					na	na

■ HEATING OIL NYMEX (42,000 US galls.; c/US galls.)

	Latest price	Day's change	High	Low	Vol	Open int
Dec	72.60	+0.51	73.50	71.95	25,814	36,487
Jan	72.15	+0.67	73.00	71.50	20,170	41,303
Feb	70.20	+0.77	70.75	69.35	7,794	18,006
Mar	66.65	+0.72	67.00	66.00	2,481	10,573
Apr	62.60	+0.67	62.95	62.00	1,973	6,898
May	60.20	+1.07	60.20	59.50	235	3,322
Total					61,183	131,471

■ GAS OIL IPE ($/tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Dec	219.00	-4.75	220.75	217.75	11,014	23,059
Jan	217.00	-3.75	218.25	216.00	7,984	29,169
Feb	210.50	-3.00	211.25	209.50	1,931	10,298
Mar	202.25	-2.25	203.00	202.00	506	6,586
Apr	194.00	-2.00	194.25	193.00	391	5,027
May	189.00	-1.75	189.25	188.25	281	2,726
Total					23,354	86,864

■ NATURAL GAS NYMEX (10,000 mmBtu.; $/mmBtu.)

	Latest price	Day's change	High	Low	Vol	Open int
Dec	3.471	-0.156	3.850	3.450	58,062	29,786
Jan	3.160	-0.104	3.450	3.100	25,022	41,349
Feb	2.770	-0.085	3.000	2.750	6,637	18,145
Mar	2.475	-0.050	2.670	2.450	4,611	11,828
Apr	2.185	-0.060	2.295	2.185	1,101	6,993
May	2.100	-0.045	2.160	2.100	671	5,992
Total					98,742	153,422

■ UNLEADED GASOLINE
NYMEX (42,000 US galls.; c/US galls.)

	Latest price	Day's change	High	Low	Vol	Open int
Dec	66.10	+0.71	66.60	65.00	15,448	19,898
Jan	64.40	+0.51	64.90	63.65	7,032	20,118
Feb	64.15	+0.49	64.40	63.90	5,155	8,085
Mar	64.45	+0.59	64.60	64.15	1,917	4,281
Apr	66.20	+0.59	66.40	66.15	203	3,218
May	66.80	+1.64	65.95	65.80	180	1,490
Total					29,980	62,432

GRAINS AND OIL SEEDS

■ WHEAT LIFFE (£ per tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Nov	95.75	+1.40	-	-	-	53
Jan	97.50	+1.15	97.25	96.25	76	2,002
Mar	99.50	+1.25	99.50	98.00	391	2,029
May	100.75	+1.25	100.75	99.50	236	2,038
Jul	102.00	+1.25	101.25	101.25	13	299
Nov	96.70	-	96.70	96.65	35	597
Total					751	7,020

■ WHEAT CBT (5,000bu min; cents/60lb bushel)

	Sett price	Day's change	High	Low	Vol	Open int
Dec	408.25	-5	421.00	407.50	8,415	14,502
Mar	388.50	-6.5	402.50	388.00	12,584	26,726
May	360.50	-7	371.50	359.00	1,012	3,956
Jul	343.50	-2.5	348.50	342.00	1,433	12,926
Sep	346.00	-3	352.00	346.00	12	380
Dec	357.00	-0.25	361.00	355.00	1	186
Total					23,438	58,767

■ MAIZE CBT (5,000 bu min; cents/56lb bushel)

	Sett price	Day's change	High	Low	Vol	Open int
Dec	272.50	+2.5	273.50	269.50	30,389	82,140
Mar	272.50	+1	274.50	271.00	33,227	116,573
May	277.00	+0.75	278.75	275.75	8,240	45,371
Jul	279.50	+1.5	281.25	277.75	6,964	43,316
Sep	274.25	+1	276.00	274.00	385	5,145
Dec	273.75	+1.5	274.25	272.75	2,100	32,257
Total					81,418	326,698

■ BARLEY LIFFE (£ per tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Nov	92.00	-0.50	92.00	91.75	36	246
Jan	93.50	-	93.50	93.25	66	750
Mar	94.50	-	94.50	94.50	25	234
May	96.00	+0.50	96.00	96.00	1	123
Sep	92.70	-	-	-	-	1
Nov	94.70	-	-	-	-	107
Total					128	1,461

■ SOYABEANS CBT (5,000bu min; cents/60lb bushel)

	Sett price	Day's change	High	Low	Vol	Open int
Jan	706.00	-1	712.00	703.00	34,546	72,549
Mar	705.75	-1.25	712.00	703.00	6,155	36,063
May	707.50	-0.75	713.00	705.00	1,849	19,126
Jul	709.25	-0.75	715.00	707.50	2,646	16,122
Aug	706.50	-2	712.00	706.00	98	2,343
Sep	690.00	-3	695.00	693.00	12	309
Total					48,103	156,336

■ SOYABEAN OIL CBT (60,000lbs; cents/lb)

	Sett price	Day's change	High	Low	Vol	Open int
Dec	23.29	-0.08	23.60	23.25	4,507	26,236
Jan	23.57	-0.08	23.85	23.51	6,172	22,354
Mar	23.91	-0.1	24.20	23.88	2,117	20,764
May	24.19	-0.14	24.50	24.10	1,138	11,179
Jul	24.47	-0.08	24.72	24.45	1,062	6,163
Aug	24.50	-0.08	24.70	24.50	125	1,565
Total					15,169	98,984

■ SOYABEAN MEAL CBT (100 tons; $/ton)

	Sett price	Day's change	High	Low	Vol	Open int
Dec	238.2	-1.8	241.3	237.7	14,602	26,400
Jan	229.2	-0.9	231.8	228.6	10,073	21,705
Mar	223.8	-0.4	226.0	222.8	3,443	21,136
May	220.2	-	222.0	219.3	1,884	10,847
Jul	220.1	+0.1	222.0	219.7	1,768	7,917
Aug	219.3	+0.3	221.5	219.0	49	1,896
Total					31,945	92,344

■ POTATOES LIFFE (£/tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Mar	58.0	-	-	-	-	-
Apr	64.9	+0.9	65.0	64.0	101	1,287
May	70.0	-3.0	67.0	67.0	3	17
Jun	80.0	-3.0	-	-	-	-
Apr	115.0	-	115.0	115.0	6	36
Total					110	1,342

■ FREIGHT (BIFFEX) LIFFE ($10/index point)

	Sett price	Day's change	High	Low	Vol	Open int
Nov	1420	-	1420	1415	112	337
Dec	1335	+10	1338	1325	74	431
Jan	1306	+16	1315	1292	111	1,012
Apr	1325	+5	1340	1315	21	789
Jul	1120	+14	1125	1115	35	280
Oct	1275	+15	1275	1275	10	80
Total					363	3,819

	Close	Prev
BFI	1460	1475

FUTURES DATA
All futures data supplied by CMS.

Wool
Prices paid for wool at auctions wherever they are held continue to fluctuate within very narrow limits. Currency changes can quite easily offset a rise or fall. Sterling strength is a worrying feature for some UK traders, making exporting more difficult and injecting additional uncertainty where confidence is already difficult to establish. But other currencies move too, and this week the Australian dollar appreciated against the US dollar, raising prices for many users in a market otherwise holding steady. The Eastern indicator in Australia closed just 1 cent up on the week at 567 cents. The New Zealand market indicator was 4 cents down at 457.

SOFTS

■ COCOA LIFFE (£/tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Dec	889	-4	893	887	813	11,686
Mar	925	-3	929	923	1,743	46,051
May	943	-3	947	942	46	14,590
Jul	961	-1	960	959	105	12,256
Sep	975	-4	-	-	-	7,178
Dec	990	-2	993	989	145	5,500
Total					2,881	122,347

■ COCOA CSCE (10 tonnes; $/tonnes)

	Sett price	Day's change	High	Low	Vol	Open int
Dec	1350	+10	1358	1335	92	532
Mar	1397	+3	1404	1388	7,711	42,948
May	1419	+3	1424	1412	814	9,891
Jul	1435	+3	1439	1430	204	7,411
Sep	1450	+3	1456	1450	420	6,591
Dec	1469	+3	1474	1474	47	854
Total					9,368	76,944

■ COCOA (ICCO) (SDR's/tonne)

Nov 20	Price	Prev. day
Daily	1022.31	1010.74

■ COFFEE LIFFE ($/tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Nov	1565	+21	1570	1555	257	1,772
Jan	1430	-19	1445	1425	1,847	17,974
Mar	1376	-14	1388	1370	811	9,624
May	1360	-12	1369	1355	523	4,803
Jul	1352	-13	1363	1345	228	652
Sep	1347	-18	1352	1343	172	240
Total					3,727	35,265

■ COFFEE 'C' CSCE (37,500lbs; cents/lbs)

	Sett price	Day's change	High	Low	Vol	Open int
Dec	117.25	-3.50	120.50	117.10	457	1,999
Mar	108.85	-4.25	112.50	108.60	4,115	18,027
May	106.40	-3.55	109.25	106.00	580	5,149
Jul	105.15	-3.45	106.50	105.00	53	1,143
Sep	104.00	-3.05	106.00	104.50	10	823
Dec	102.50	-3.05	104.50	104.10	7	414
Total					5,215	27,640

■ COFFEE (ICO) (US cents/pound)

Nov 20		Prev. day
Comp. daily	97.47	97.48
15 day average	97.94	98.05

■ WHITE SUGAR LIFFE ($/tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Dec	310.5	+6.0	313.5	304.5	250	411
Mar	301.8	-2.1	305.2	302.0	1,814	14,888
May	302.6	-1.5	305.1	302.8	172	4,918
Aug	302.0	-1.8	304.3	303.5	50	2,307
Oct	298.2	-1.6	298.0	297.0	13	1,303
Dec	298.5	-0.6	299.0	298.0	285	546
Total					2,888	24,338

■ SUGAR '11' CSCE (112,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Vol	Open int
Mar	10.59	-0.09	10.68	10.57	7,029	79,615
May	10.65	-0.05	10.71	10.64	1,186	30,574
Jul	10.59	-0.04	10.63	10.59	1,309	20,441
Oct	10.60	-0.04	10.64	10.59	690	12,633
Mar	10.61	-0.04	10.65	10.61	121	3,839
May	10.61	-0.04	10.65	10.63	40	812
Total					10,375	148,411

■ COTTON NYCE (50,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Vol	Open int
Dec	74.33	+1.98	74.80	71.80	4,766	7,204
Mar	74.23	-	75.90	73.75	5,546	22,450
May	75.57	-	77.00	75.12	993	9,987
Jul	76.47	-	77.40	76.00	397	6,937
Oct	76.70	-	76.90	76.50	13	1,263
Dec	76.74	-	77.05	76.30	448	5,955
Total					12,169	54,360

■ ORANGE JUICE NYCE (15,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Vol	Open int
Jan	98.55	-0.05	98.25	96.30	1,907	12,812
Mar	99.50	-0.10	100.90	99.25	617	6,970
May	102.00	-0.30	103.10	102.90	112	2,636
Jul	105.25	+0.05	105.70	105.25	48	630
Sep	107.20	-0.30	-	-	-	251
Nov	106.20	-0.30	-	-	-	53
Total					2,838	24,302

VOLUME DATA
Open interest and Volume data shown for contracts traded on COMEX, NYMEX, CBT, NYCE, CME, CSCE and IPE Crude Oil are one day in arrears. Volume & Open interest totals are for all traded months.

INDICES

■ Reuters (Base: 18/9/31 = 100)

Nov 21	Nov 20	month ago	year ago
1829.0	1830.4	1884.5	2182.7

■ CRB Futures (Base: 1967 = 100)

Nov 20	Nov 19	month ago	year ago
246.19	245.51		

■ GSCI Spot (Base: 1970 = 100)

Nov 20	Nov 19	month ago	year ago
215.17	215.78	211.08	187.94

MEAT AND LIVESTOCK

■ LIVE CATTLE CME (40,000lbs; cents/lbs)

	Sett Price	Day's change	High	Low	Vol	Open int
Dec	66.525	-0.750	67.200	66.300	9,064	29,565
Feb	63.300	-0.775	64.475	63.200	2,704	24,345
Apr	64.850	-0.750	65.575	64.825	2,285	17,184
Jun	63.825	-	63.475	62.825	931	7,587
Aug	62.325	-	62.850	62.250	306	7,028
Oct	64.850	-0.500	65.300	64.800	225	4,566
Total					15,581	91,276

■ LIVE HOGS CME (40,000lbs; cents/lbs)

	Sett Price	Day's change	High	Low	Vol	Open int
Dec	57.500	-0.725	57.850	56.900	6,209	12,420
Feb	76.275	-0.950	76.750	75.500	4,088	11,144
Apr	71.150	-0.800	71.800	70.700	668	4,548
Jun	74.275	-0.475	75.500	73.725	621	4,237
Jul	71.650	-0.800	72.000	71.400	70	1,390
Aug	68.175	-0.725	68.900	67.850	99	674
Total					11,836	35,417

■ PORK BELLIES CME (40,000lbs; cents/lbs)

	Sett Price	Day's change	High	Low	Vol	Open int
Feb	73.950	-2.075	76.050	73.600	1,805	4,231
Mar	73.300	-2.025	77.150	73.100	341	777
May	74.625	-1.175	76.900	73.450	167	502
Jul	75.225	-1.450	76.900	74.000	20	364
Aug	73.250	-1.550	74.900	74.900	5	57
Total					2,334	6,981

LONDON TRADED OPTIONS

Strike price $ tonne	Calls		Puts	
■ ALUMINIUM (99.7%) LME	Jan	Apr	Jan	Apr
1400	112	144	8	25
1500	44	82	39	61
1600	11	41	105	118
■ COPPER (Grade A) LME	Jan	Apr	Jan	Apr
2150	154	140	54	139
2250	98	100	98	197
2350	58	69	158	264
■ COFFEE LIFFE	Jan	Mar	Jan	Mar
na				
na				
na				
■ COCOA LIFFE	Dec	Mar	Dec	Mar
na				
na				
na				
■ BRENT CRUDE IPE	Jan	Feb	Jan	Feb
2200	119	128	33	-
2250	100	-	-	114
2300	-	80	69	-

LONDON SPOT MARKETS

■ CRUDE OIL FOB (per barrel)

		+or-
Dubai	$20.76-0.79w	-0.545
Brent Blend (dated)	$22.82-2.87	-0.48
Brent Blend (Jan)	$22.73-2.75	-0.565
W.T.I.	$23.47-3.50w	-0.64

■ OIL PRODUCTS NWE prompt delivery CIF (tonne)

Premium Gasoline	$224-226	-5
Gas Oil	$223-224	-6
Heavy Fuel Oil	$116-118	
Naphtha	$225-227	-1
Jet fuel	$248-250	-5
Diesel	$234-235	-5

■ NATURAL GAS (Pence/therm)

Bacton (Dec)	17.75-8.00	+0.725

Petroleum Argus. Tel. London (0171) 359 8792

■ OTHER

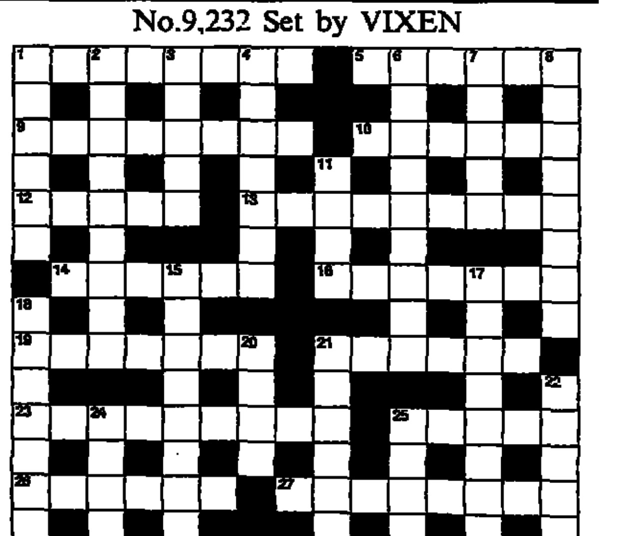
Gold (per troy oz)♣	$378.25	-2.95
Silver (per troy oz)♣	487.50c	-8.0
Platinum (per troy oz.)	$383.50	-0.75
Palladium (per troy oz.)	$118.00	-0.50
Copper	107.0c	
Lead (US prod.)	45.00c	
Tin (Kuala Lumpur)	14.97r	+0.17
Tin (New York)	287.50	+5.0
Cattle (live weight)	108.52p	+3.98*
Sheep (live weight)	130.12p	-6.45*
Pigs (live weight)†	92.82p	+2.97*
Lon. day sugar (raw)	$266.90	-0.20
Lon. day sugar (wte)	$312.80	+1.80
Barley (Eng. feed)	Unq	
Maize (US No3 Yellow)	127.0	
Wheat (US Dark North)	Unq	
Rubber (Dec)♥	81.50p	
Rubber (Jan)♥	81.50p	
Rubber (KL RSS No1)	322.0z	
Coconut Oil (Phil)§	$7655.0y	+10.0
Palm Oil (Malay.)§	562.50.0x	+2.5
Copra (Phil)§	487.5	+5.0
Soyabeans (US)	190.0z	
Cotton Outlook'A' index	76.25	
Wooltops (64s Super)	393p	+3.0

£ per tonne unless otherwise stated. p pence/kg. c cents/lb. r ringgit/kg. m Malaysian cents/kg. w Jan x Dec v Nov/Dec y Dec/Jan♥ London Physical. § CIF Rotterdam. ♣ Bullion market close. * Change on week. †Based on 1,434 head of pigs sold.

JOTTER PAD

CROSSWORD

No.9,232 Set by VIXEN



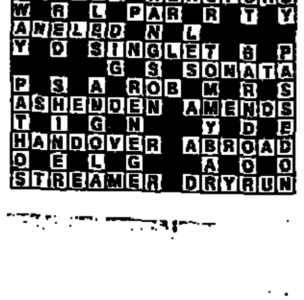
ACROSS

1 Dense foolish person admitting a point repeatedly (5-3)
5 Villains showing craft about temporary settlement (6)
9 A churchman cited break given up (8)
10 Part after exchanging a quiet word (6)
12 Penal reform board (5)
13 Working relationship in public (9)
14 A Gallic male to appreciate – incomparable (6)
16 Suits for games (7)
19 First to get about a thousand in support (7)
21 Copper not commonly seen as a poison (6)
23 Apparent contempt for car with no gear-change (9)
25 The body politic say (5)
26 Foreigner needing assistance going back into hotel (6)
27 A letter written about deposited capital (6)
28 Taking a little sugar is hardly flashy (6)
29 Misdirected, so it's believed (8)

DOWN

1 Many a chemist provides "fixes" (6)
2 Regulation of the unit dividing military supplies (9)
3 When no longer cold the Spanish do well (5)
4 The outlook's far from satisfactory (7)
6 The eccentric with a part to play? (9)
7 A New Zealander's aim or bent (5)
8 Most austere holy men keep a bird (8)
11 Call time (4)
15 The gelatine is in a transparent container (9)
17 A simple-minded healer (9)
18 Carol holds top place for elocution (8)
20 Sound but self-interested people in co-operation (4)
21 Some reached Dartmoor in the West Country (7)
22 Guard tip after getting fed-up (6)
24 A man on horseback delivered the queen's letters (5)
25 Being old, is quite possibly bard (5)

Solution 9,231



FT MANAGED FUNDS SERVICE

Offshore Funds

● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (+44 171) 873 4378 for more details.

OFFSHORE AND OVERSEAS

BERMUDA (SIB RECOGNISED)

	Init Charge	Selling Price	Buying Price	+ or -	Yield Gr's

BERMUDA (REGULATED)(**)

GUERNSEY (SIB RECOGNISED)

GUERNSEY (REGULATED)(**)

IRELAND (SIB RECOGNISED)

IRELAND (REGULATED)(**)

ISLE OF MAN (SIB RECOGNISED)

ISLE OF MAN (REGULATED)(**)

JERSEY (SIB RECOGNISED)

JERSEY (REGULATED)(**)

Offshore Funds and Insurances

FT MANAGED FUNDS SERVICE

● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (+44 171) 873 4378 for more details.

LUXEMBOURG
(SIB RECOGNISED)

	Init Notes Charge	Selling Price	Buying Price	+ or -	Yield Gr's
ABN AMRO Funds (u)					
4 Rue Jean Monet, L-2180 Luxembourg 352 4249492320					
Latin America Equity		$48.05	48.77	—	-
North America Equity		$84.16	84.58	—	-
Asian Tigers Equity		$84.08	84.70	—	-
Europe Equity		$75.69	78.07	—	-
Germany Equity		DM128	128.11	—	-
Japan Equity		$48.67	48.16	—	-
Europe Bond		$61.86	61.61	—	-
US Bond		$59.76	58.81	—	-
Global Bond		$61.35	61.50	—	-
Germany Bond B		DM109.2	109.51	—	-
Spain Bond		Pta101.3	101.55	—	-
Eastern Europe Equity F		DM170.3	177.72	—	-
China Equity F		$59.20	58.94	—	-
Switzerland Equity		SFr128.1	128.74	—	-
Abtrust Fund Mngrs Luxembourg SA (u)					
4 Boulevard Royal L 2449 Luxembourg 00 352 227001					
Abtrust Atlas Fund					
Global Cap Portfolio		$3.991		+0.016	-
United States Portfolio		$6.771xd		+0.003	-
Contl Europe Portfolio	0	DM5.457		-0.006	-
Japan Portfolio		¥0.600		+0.005	-
Pacific Portfolio		$5.699		+0.039	-
Gold Portfolio		$6.493		+0.078	-
UK Growth of Income		£2.088xd		-0.002	3.61
Dollar Portfolio		$1.861xd		—	7.03
Sterling Portfolio		£1.082xd		-0.001	6.30

Aetna Master Fund (u) (x)
21 avenue de la Liberte, L-1931, Lux 00 352 479 98500

Fidelity Funds - Contd.

[illegible]

LUXEMBOURG
(REGULATED)(**)

[illegible]

OFFSHORE
INSURANCES

[illegible]

FT MANAGED FUNDS SERVICE

Offshore Insurances and Other Funds

● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (+44 171) 873 4378 for more details.

Old Mutual International (Guernsey) Ltd

PO Box 721, St. Peter Port Guernsey 01481 726726

	Selling Price	Buying Price	+ or -	Yield Gross
£ Sag Managed	£4.456	4.894	+0.010	–
£ European Stockmkt	£5.126	5.512	+0.058	–
£ UK Stockmkt	£5.109	5.493	+0.033	–
£ Sterling Special Mkt	£4.494	3.048	-0.082	–
£ UK Fixed Interest	£4.835	5.198	+0.042	–
£ Stg Money Mkt	£2.979	3.203	+0.005	–
£ Capital Guarantee	£1.719	1.848	+0.002	–
$ Dollar Managed	$3.413	3.670	+0.059	–
$ Intl Stockmkt	$4.386	4.716	+0.086	–
$ US Dollar Bond	$1.402	1.507	+0.008	–
$ Nth Am Stockmkt	$3.813	4.100	+0.023	–
$ Japan Stockmkt	$1.847	1.771	-0.017	–
$ Pacific Stockmkt	$5.442	5.851	+0.092	–
$ Emerging Mkts Stockmkt	$2.326	2.501	+0.040	–
$ Hong Kong Stockmkt	$7.816	8.403	+0.251	–
$ Intl Fixed Interest	$3.885	4.165	+0.036	–
$ Intl Mngd Currency	$2.459	2.644	+0.018	–
$ Dollar Money Mkt	$2.273	2.444	+0.004	–
$ Latin American Stockmkt	$0.930	1.000	-0.004	–
$ Dollar Special Mkt	$1.071	1.152	-0.001	–
$ Emerging Market Bond	$1.197	1.287	+0.010	–
$ Emerging Stockmarkets	$0.854	0.918	+0.008	–
$Fixed Futures1 Sep 98		$1.629	+0.074	–
$Fixed Futures2 Mar 99		$1.325	+0.057	–
$Fixed Futures3 Sep 99		$1.830	+0.069	–
$Fixed Futures4 Dec 2000		$1.703	+0.085	–
$Fixed Futures5 Dec 2001		$0.798	+0.039	–
Guaranteed 105 Futures Bond		$1.167	+0.027	–
Swiss Franc Managed	SFr7.090	7.624	+0.104	–
Swiss Franc Money Mkt	SFr1.298	1.394		–
Cornerstone	SFr1.046	1.125	+0.008	–
DEM Deutschemark Mngd	DM2.605	2.805	+0.046	–
$ Secure Stockmkt Index	$0.934	1.000		–

AXA Asset Management

	Selling Price	Buying Price	+ or -	Yield Gross
AXA Valeurs	FFr1169.98		–	–
AXA Select Marchés Capital	FFr1130.02		–	–
AXA Europe Actions	FFr290.65		–	–
AXA NPL	FFr121.60		–	–

Acciones y Valores de Mexico SA de CV

	Selling Price	Buying Price	+ or -	Yield Gross
Acchal Nov 19	Pesos52.73		–	0.25

Africa Emerging Markets Fund

	Selling Price	Buying Price	+ or -	Yield Gross
NAV Nov 8	$12.44		–	–

Agribusiness Fund Management Co

	Selling Price	Buying Price	+ or -	Yield Gross
ABC Bond	$10.00		–	–
Cacaoz	$1.08		–	–

Alliance Capital

	Selling Price	Buying Price	+ or -	Yield Gross
International	$18.06	18.88		–
International Class B	$17.17			–
Quasar	$27.88	29.80		–
Quasar Class B	$26.88			–
Global Small Cap	$12.58	13.14		–
Global Small Cap Class B	$11.82			–

Allied Dunbar International Fund Mngrs (1600)F

	Selling Price	Buying Price	+ or -	Yield Gross
ADI Emerging Asia	$0.6970	0.7460	-0.0019	0

Alkista Capital Management Ltd

Alkista Growth Fund and Unit Trust

	Selling Price	Buying Price	+ or -	Yield Gross
Class A	$86.24	88.21	–	–
Class B	$86.24	88.21	–	–

Alpha Fund Management Ltd

[illegible]

	Selling Price	Buying Price	+ or -	Yield Gross
GSAM Investments	$1118.84		–	–
GSAM Composite	$307.94		–	–
GSAM CHF Composite	SFr103.81		–	–
GSAM DM Composite	DM123.80		–	–
GSAM Money Mkt US$	$102.02		+0.04	4.78
Do Sterling	£102.06		+0.05	5.41
Do Swiss Franc	SFr100.43		+0.01	0.98
Do Deutschmark	DM100.88		+0.02	2.10
GSAM Oracle	$174.99		-0.01	–

	Selling Price	Buying Price	+ or -	Yield Gross
JF China Trust	$11.78	12.45	+0.27	–
JF Eastern Tst(2)	$107.91	114.00	+0.74	–
JF Eastern Smaller Cos	$39.87	41.98	+0.63	–
JF Hong Kong Tst	$19.81	20.97	+0.21	–
JF Japan Trust(2)	Y11477	12143	+69	–
JF Japan OTC Tst	Y1253	1325	-8	–
JF Japan Small Co	Y39975	42291	+77	–
JF Japan Tech Tst	Y30824	32610	+239	–
JF Korea Trust	$7.70	8.16	-0.04	–
JF Malaysia Tst	$32.83	34.75	+0.25	–

Global Asset Management - Contd.

	Selling Price	Buying Price	+ or -	Yield Gross
Diversity Strategic A	124.02		+1.28	–
Diversity Strategic B	127.60		+1.23	–
European Strategic A	124.34		+1.57	–
European Strategic B	119.82		+1.47	–
Trading Strategic A	122.85		+1.38	–
Trading Strategic B	120.80		+1.34	–
Developing Mkts Strategic A	113.74		+0.43	–
Developing Mkts Strategic B	114.90		+0.42	–
Select Asian Class A	$37.94		–	–

Jardine Fleming Unit Trusts Ltd - Contd.

	Selling Price	Buying Price	+ or -	Yield Gross
JF New Zealand Tst	$19.81	20.97	+0.14	–
JF Monsoon Asia Tst	$18.22		–	–
JF Pacific Inc Tst(2)	$14.78	15.64	+0.11	–
JF Pacific Smlr Cos Tst	$7.81	8.27	+0.05	–
JF Pacific Secs Tst(2)	$55.14	58.35	+0.50	–
JF Pakistan Trust	$3.37	3.58	-0.05	–
JF Philippine Tst	$108.59	114.88	-0.44	–
JF Taiwan Trust	$11.40	12.07	+0.13	–
JF Thailand Tst	$34.58	36.57	-0.11	–
JF India	$19.49	20.63	-0.43	–
JF Indonesia Trust	$10.52	11.16	-0.06	–

Vietnam Frontier Fund

Frontier Fund Management Co

	Selling Price	Buying Price	+ or -	Yield Gross
NAV (Fully Paid) Oct 31	$11.94		–	–

The Vietnam Fund Limited

Lloyds Bank Fund Managers (Guernsey) Ltd

	Selling Price	Buying Price	+ or -	Yield Gross
NAV Fully Paid Oct 31	$11.33		–	–

Westman & Lowndes-Engstrom Inv Mgmt Ltd

The Russian Property Fund

	Selling Price	Buying Price	+ or -	Yield Gross
A Shares	$12.39		–	–
B Shares	$12.94		–	–

Worldwide Limited

	Selling Price	Buying Price	+ or -	Yield Gross
NAV Oct 31	$76.19		–	–

Xiphias International Investment Fd Ltd

	Selling Price	Buying Price	+ or -	Yield Gross
Xiphias Global Growth	$10.49		–	–
Xiphias Int ECU Acc	Ecu1.4787		–	–

Zuoell Lombardier Ltd

	Selling Price	Buying Price	+ or -	Yield Gross
NAV Oct 31	$209.64		–	–

Zulauf Investment Management AG

	Selling Price	Buying Price	+ or -	Yield Gross
European Focus Nov 15	DM120.954		–	–

Zweig-DiMenna International Limited

	Selling Price	Buying Price	+ or -	Yield Gross
NAV Oct 31	$15519		–	–

OTHER OFFSHORE FUNDS

● MANAGED FUNDS NOTES

Prices are in pence unless otherwise indicated and those designated $ with no prefix refer to U.S. dollars. Yields % allow for all buying expenses. Prices of certain older insurance linked plans subject to capital gains tax on sales.

(**) Funds not SIB recognised. The regulatory authorities for these funds are:
Bermuda - Bermuda Monetary Authority
Guernsey - Financial Services Commission
Ireland - Central Bank of Ireland
Isle of Man - Financial Supervision Commission
Jersey - Financial Services Department
Luxembourg - Institut Monétaire Luxembourgeois.
Initial charge - Charge made on sale of units.
Selling price - Bid or redemption price.
Buying price - Offer or issue price.
Time - The time shown alongside the fund manager's name is the time of the fund's valuation point unless indicated by one of the following symbols:
(¥) 0001 to 1100 hours
(♦) 1101 to 1400 hours
(▲) 1401 to 1700 hours
(#) 1701 to midnight
E Exit charge on sale of units.
C Manager's periodic charge deducted from capital.
H Historic pricing F - Forward pricing
x Distribution free of UK taxes.
p Periodic premium insurance plans.
s Single premium insurance.
● Designated as a UCITS (Undertakings for Collective Investment in Transferable Securities).
■ Offered price includes all expenses except agent's commission.
± Previous day's price.
§§ Guernsey gross.
◆ Yield before Jersey tax.
† Ex-subdivision. xd - Ex-dividend.
‡ Only available to charitable bodies
❖ Yield column shows annualised rate of NAV increase.

The fund prices published in this edition are also available at the Financial Times' web site. http://www.FT.com

LONDON SHARE SERVICE

ALCOHOLIC BEVERAGES

	Notes	Price	+ or -	52 week high	low	Mkt Cap£m	Yld Gr's	P/E
Allied Domecq	[illegible]	[illegible]	-8½	[illegible]	419	4,575	6.9	12.9
Bulmer (HP)	[illegible]	624	—	[illegible]	477	282.0	3.1	17.8
Burn St Dist	[illegible]	[illegible]	—	[illegible]	67½	[illegible]	6.7	73.3
Greenall/Mansfield A	[illegible]	615	+45	615	615	94.9	1.9	22.1
Grand Met	[illegible]	481	-3½	[illegible]	411	[illegible]	4.1	19.6
Guinness	[illegible]	449½	+6	[illegible]	430	[illegible]	4.3	13.8
Highland	[illegible]	329	[illegible]	378	315	[illegible]	3.2	15.6
5¾pc Cnv Bds		[illegible]	-½	101½	96½	—	—	—
Kirin Y		[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	0.8	78.5
Matthew Clark	[illegible]	279½	+5	[illegible]	[illegible]	247.4	10.7	13.3
Merrydown	[illegible]	108½	-1	141	93	11.8	5.2	9.9
Seagram S		[illegible]	+⅛	£25¹⁄₁₆	£20¹⁄₁₆	6,830	1.2	—

BANKS, MERCHANT

	Notes	Price	+ or -	52 week high	low	Mkt Cap£m	Yld Gr's	P/E
Barclays 9pc Cnv 2nd Pf		504½	—	504½	504½	6.31	19.8	—
Cater Allen	[illegible]	396	—	402	379	129.4	9.7	11.4
Close Bros	[illegible]	324½	+3	392	307½	391.7	3.9	13.1
Gerrard & Nat	[illegible]	[illegible]	—	472	280	134.7	10.5	11.2
Hambros		245½	-1	267½	194	494.8	3.8	20.8
7¼pc Cv Pf		110		118	96	141.7	8.5	—
King & Shaxson	[illegible]	186½	+1½	197	115	48.2	6.2	15.9
Leopold J	[illegible]	465	—	465	405	24.5	3.2	16.8
Rea Brothers	[illegible]	62½	—	67	44	30.2	2.0	24.6
Schroders	[illegible]	1412½	—	1465	1185	2,137	1.5	16.1
N/V		1190	—	1285	880	[illegible]	1.9	13.5
Singer & Fried	[illegible]	126½	-2½	135	99½	251.6	4.7	9.3
8½pc Cv Ln 08/14		[illegible]	[illegible]	[illegible]	£124	46.2	5.8	—

BANKS, RETAIL

BREWERIES, PUBS & REST

BUILDING & CONSTRUCTION

BUILDING MATS. & MERCHANTS

CHEMICALS

CHEMICALS - Cont.

DISTRIBUTORS

DIVERSIFIED INDUSTRIALS

ELECTRICITY

ELECTRONIC & ELECTRICAL EQPT

ENGINEERING

ENGINEERING - Cont.

ENGINEERING, VEHICLES

EXTRACTIVE INDUSTRIES

EXTRACTIVE INDUSTRIES - Cont.

FOOD PRODUCERS

FOOD PRODUCERS - Cont.

GAS DISTRIBUTION

HEALTH CARE

HOUSEHOLD GOODS

HOUSEHOLD GOODS - Cont.

INSURANCE

INVESTMENT TRUSTS

INVESTMENT TRUSTS - Cont.

INV TRUSTS SPLIT CAPITAL

INV TRUSTS SPLIT CAPITAL - Cont.

LIFE ASSURANCE

MEDIA

PAPER, PACKAGING & PRINTING - Cont.

PHARMACEUTICALS

PROPERTY

RETAILERS, FOOD - Cont.

RETAILERS, GENERAL

TEXTILES & APPAREL

AIM - Cont.

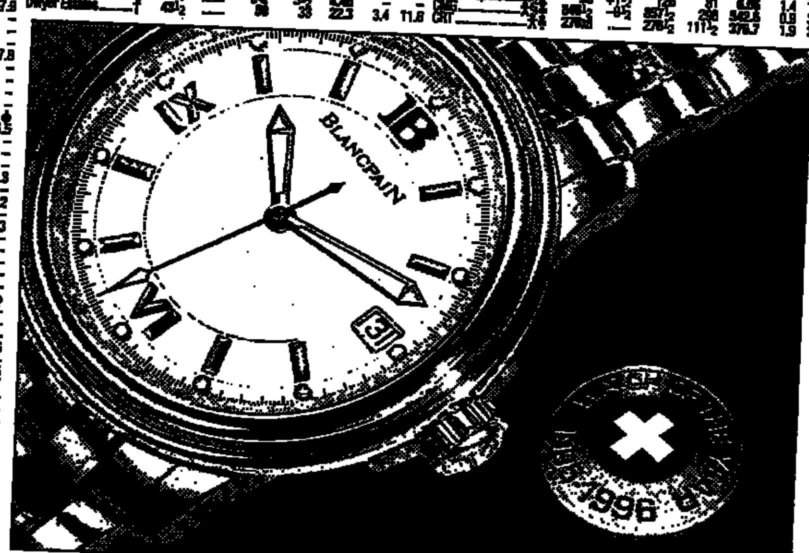
TOBACCO

TRANSPORT

SUPPORT SERVICES

OTHER INVESTMENT TRUSTS

OIL EXPLORATION & PRODUCTION



AMERICANS

CANADIANS

WATER

INVESTMENT COMPANIES

SOUTH AFRICANS

	Notes	Price	+ or -	52 week high	low	Mkt Cap£m	Yld Gr's	P/E
Anglo Am Ind	[illegible]	£20¼	-¼	£24¾	£20¼	1,824	3.5	♦
Barlow	♦	£5½	-⅛	£10⅞	£5½	1,872	2.5	♦
Gold Flds Prop R		122	-1	170	120	12.5	6.3	10.8
NK Props		82	—	98	60	2.48	13.2	–
SASOL	♥	645	—	710	483	3,777	1.6	–
SA Brews		£15¼	-⅛	£20⅛	£14⅞	4,493	2.1	♦
Standard Bank		£21⅞	-⅛	£32.7	£21⅞	2,677	1.6	20.5
Tiger Oats		780	—	1270	770	1,188	2.1	♦
Tongaat-Hulett		685¼xd	-5	1247	676¼	659.2	2.4	♦

AIM

PROPERTY - Cont.

SUPPORT SERVICES - Cont.

OIL, INTEGRATED

OTHER FINANCIAL

LEISURE & HOTELS

PAPER, PACKAGING & PRINTING

RETAILERS, FOOD

TELECOMMUNICATIONS

GUIDE TO LONDON SHARE SERVICE

Prices for the London Share Service are delivered by Extel, part of Financial Times Information.

Company classifications are based on those used for the FTSE Actuaries Share Indices.

Closing mid-prices are shown in pence unless otherwise stated. Highs and lows are based on intra-day mid-prices over a rolling 52 week period.

Where stocks are denominated in currencies other than sterling, this is indicated after the name. Prices shown for some of these foreign securities are converted into sterling from latest available local Stock Exchange prices.

Symbols referring to dividend status appear in the notes column daily as a guide to yields and P/E ratios. Dividends and Dividend covers are published on Monday.

Market capitalisation shown is calculated separately for each line of stock quoted.

Earnings used in calculations are based on IIMR 'Headline Earnings' formula.

Price/earnings ratios are based on latest annual reports and accounts and, where possible, are updated on interim figures.

Yields are based on mid-prices, are gross, adjusted for a dividend tax credit of 20 per cent and allow for value of declared distribution and rights.

Estimated Net Asset Values (NAVs) are shown for Investment Trusts, in pence per share, along with the percentage discounts (Dis) or premiums (Pm -) to the current closing share price. The NAV basis assumes prior charges at par value, convertibles converted and warrants exercised if dilution occurs.

- Highs and lows marked thus have been adjusted to allow for capital changes
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- ♦ Figures or report awaited
- ♥ Rule 2.1(a)(v) Overseas incorporated companies listed on an approved exchange.
- ♣ Free annual/interim report available, see details below.
- ✱ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- ‡‡ Rule 4.2(a) Irish incorporated non-listed companies.
- # Price at time of suspension
- ¶ Indicated dividend yield after pending scrip and/or rights issue
- ♦ Merger bid or reorganisation in progress
- § Forecast dividend yield; p/e based on earnings updated by latest interim statement.
- ♠ Unregulated collective investment scheme.

a Yield based on annualised dividend
b Figures based on prospectus or other official estimates.
g Assumed dividend yield after rights issue
h Assumed dividend yield after scrip issue
n Rights issue pending
q Earnings based on preliminary figures.
s Dividend yield excludes a special payment.
t Indicated dividend yield, p/e ratio based on latest annual earnings.
u Forecast, or estimated annualised dividend yield, p/e based on previous year's earnings
z Dividend yield includes a special payment

F Yield based on prospectus or other official estimates for 1996-97.
G Assumed yield after pending scrip and/or rights issue.
H Yield based on prospectus or other official estimates for 1995.
K Yield based on prospectus or other official estimates for 1996
L Estimated annualised yield, p/e based on latest annual earnings.
M Yield based on prospectus or other official estimates for 1995-96.
N Dividend is paid in whole or part as a

FID (Foreign Income Dividend)
R Forecast annualised yield, p/e based on prospectus or other official estimates.
W Pro forma figures.
Z Dividend yield to date.

Abbreviations:
xd ex dividend;
xc ex scrip issue;
xr ex rights;
xa ex all;
xf ex capital distribution.

This service is available to companies whose shares are regularly traded in the United Kingdom for a fee of £1350 a year for each security shown, subject to the Editor's discretion

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For readers phoning from outside UK, please dial +44 in place of the first 0.
The share prices printed on these pages are also available on the Internet at http://www.FT.com.

LONDON STOCK EXCHANGE

Firm gilts help to stabilise edgy equities

MARKETS REPORT

By Steve Thompson, UK Stock Market Editor

A strong performance by gilts provided something of a prop for the UK equity market, helping shares regain some of their earlier hefty losses yesterday.

But the market failed in its attempt to close higher on the day as investors and traders continued to worry about the possibility of more domestic interest rate rises and about next Tuesday's Budget.

There is a fear across the market that a giveaway, tax-cutting Budget, although likely to improve the chances of the re-election of a Conservative government, will be badly received by the gilt market. Any marked weakness in gilts after the Budget is bound to have an impact on equities, dealers said.

One feature was the continuing low levels of trading activity. Turnover at yesterday's 6pm calculation came out at a lowly 746.6m shares, in line with recent depressed levels. Traders said they expected the minimal activity to continue until the Budget is out of the way.

The value of customer business on Wednesday was only £1.1bn, way below the usual range of £1.5bn to £2bn.

The FTSE 100 index ended the session 9.0 off at 3,953.8, while the FTSE 250 settled 3.2 easier at 4,397.0. The SmallCap held on to a minor gain, finishing 0.4 ahead at 2,160.2.

There was some surprise in London's trading rooms at the UK market's stubborn refusal to mirror at least some of Wall Street's recent big gains. The Dow Jones Industrial Average shot up 32 points on Wednesday, moving confidently past 6,400.

The Dow's strength was reinforced by another splendid showing by US Treasury bonds on Wednesday, when the yield on the 30-year issue fell to 6.4 per cent, its lowest level since March.

London's trading day began on a subdued note, with Footsie opening just over a point off. It then edged higher, reaching the day's best, up 3.2 within a few minutes, before slipping back. At the day's lowest ebb, after news of a minor upward revision of third quarter gross domestic product, the index was down 15.5.

Footsie gradually clawed its way back to be virtually level as Wall Street opened. The Dow soon dipped over 30 points, falling below 6,400, before stabilising as London closed.

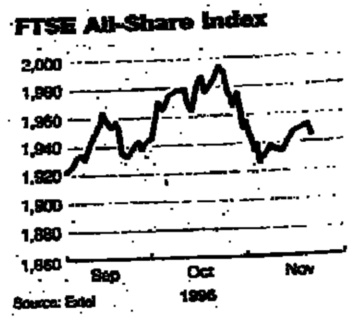
Individual features were few and far between. The generators were prominent among Footsie constituents with National Power taking first place and PowerGen again busy.

Dealers said Wednesday's sell-off in the former had been overdone. And there was more local and overseas money being pumped into Railtrack, one of the market's star performers since its May flotation.

On the downside, there was more bad news for some of the market's minnows, with profit warnings causing grievous damage to stocks such as NSM, the open cast coal mining group and Baldwins, the mini-conglomerate.

The biggest Footsie loser was British Gas, where the recent Shell takeover speculation continued to fade.

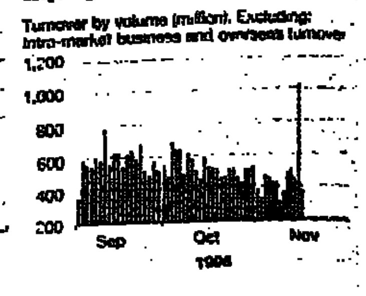
FTSE All-Share Index



Source: Estel

Equity shares traded

Turnover by volume (million). Excluding: intra-market business and overseas turnover



Indices and ratios

FTSE 100	3953.8	-9.0
FTSE 250	4397.0	-3.2
FTSE 350	1970.4	-3.8
FTSE All-Share	1945.10	-3.47
FTSE All-Share yield	3.85	3.85
FT 30	2775.0	-9.9
FTSE Non-Fins p/e	17.74	17.80
FTSE 100 Fut Dec	3977.0	-5.0
10 yr Gilt yield	7.48	7.53
Long gilt/equity yld ratio	1.99	2.02

Best performing sectors

1 Extractive Industries 2.0
2 Electricity 0.9
3 Tobacco 0.9
4 Life Assurance 0.9
5 Insurance 0.5

Worst performing sectors

1 Gas Distribution ....-2.7
2 Oil: Integrated ....-1.0
3 Telecommunications ....-0.8
4 Pharmaceuticals ....-0.7
5 Mineral Extraction ....-0.5

Bid hint unsettles Utd News

By Peter John, Lisa Wood, Joel Kibazo and Steve Thompson

News of funding for a possible acquisition hit United News & Media. The shares retraced 19½ to 677½p following Wednesday's gains, which had been prompted by an upbeat trading statement from South-news, a local newspaper publisher.

United is raising £180m through an issue of bonds, convertible into shares at a rate between 14 and 18 per cent above the mid-market share price to be set at any time up to yesterday's close. Kleinwort Benson was lead manager and book runner of the issue which was some 3.5 times oversubscribed.

Analysts saw the move as a disguised rights issue that could spark renewed speculation about further take-over activity. There are several options. The big bet was on a takeover of Westcountry Television, a privately-owned group expected to command a price of between £75m and £85m. United said the move was merely restructuring a tranche of its £600m-plus of debts incurred after the merger with Blenheim and acquisition of 20 per cent of HTV.

Shares in Manchester United, the football club, were briefly marked down in the wake of the defeat by Juventus, the reigning European club champions, which makes Manchester's chances of qualifying for the final stage of the competition more difficult.

But some institutions, still keen on the earning potential of what is widely regarded as Britain's leading football club, took advantage of the momentary weakness to snap up the stock which eventually closed a net 5¼ firmer at 567p.

Railtrack Group remained one of the market's favourites. The shares gained another 10 to 354p, with some specialists pointing to the prospect of a favourable property valuation at the group. Some 7m had been dealt by the close.

Profit-taking and the partial opening of the channel tunnel left P&O 12½ lighter at 595p, with 2.1m having been dealt by the close. Shares in Eurotunnel, operator of the tunnel, edged ½ forward to 86½p.

Among engineering stocks, GKN was said to have been boosted by an "add" recommendation from NatWest Securities. The shares, which have been weak in recent sessions on concerns about the poor outlook for the European automotive sector, hardened 10 to 1091p.

NatWest is also keen on FKI, which reported interim figures earlier this week. The shares hardened a penny to 204p. The broker said: "FKI is a well managed engineering company that has aggressively increased margins and profits from what initially appear to be a dull collection of businesses. On the basis of continued earnings momentum (a further 4.5 per cent upgrade to earnings) and p/e (price/earnings ratio) premium falling to 1 per cent in 1998, the shares continue to have attractions."

National Power bounced 17 to 452p as the market decided to re-evaluate Wednesday's figures. Press comment highlighted the single digit prospective price/earnings ratio and the possibility of a tie-up with a regional electricity group.

Talk of a link with a rec was sparked by the announcement that British Energy has agreed to form an alliance with Southern Electric to develop a long term joint business venture for electricity supply. PowerGen also benefited from the British Energy news and lifted 9½p to 588p. BE, which announced interim results, was a shade easier at 134½p, having risen more than 40 per cent since July. Southern eased 2 to 696½p.

Meanwhile, Yorkshire Electricity lifted 9¼ to 758½p as rumours continued to circulate that Entergy of the US considers it a viable consolation prize after being rebuffed by London Electricity.

Chemicals group Courtaulds fell 7 to 413p amid further reaction to Wednesday's low-end profits and as Goldman Sachs cut the stock to "market performer" from "market outperformer".

Mining group NSM tumbled 19½ to 23p, after warning it expected a half year loss and was in talks with its banks.

Quadramatic, a manufacturer of coin handling equipment, jumped 32 to 255½p after the company announced a 20 per cent hike in full-year profits.

Strength in underlying copper prices gave a boost to RTZ, one of the world's biggest mining companies.

Copper has reached a five-month high of about $2,240 a tonne and CRA, RTZ's Australian unit, has also been performing strongly. The combination put 22 on the price of RTZ which closed at 964p.

A big two-way pull in Sears, with trade of 5.8m shares, strengthened the stock by 1½ to 94½p. Speculation in the market was that its Freemans agency mail order business may be sold, or else Sears is considering merging it in a joint venture with another large player in the industry. Names in the frame included Pinault Printemps Redoute, which owns Empire Stores and Otto Versand, which owns Grattan.

An industry note from UBS said that radical change – such as industry consolidation and removal of some commission payments for agents – could transform the market. UBS said there were various configurations for mergers or take-overs but, in addition to foreign purchasers being interested in Freemans, it did not rule out Great Universal Stores.

Storehouse, which owns BhS and Mothercare, gained 5½ to 275p following interim results in line with expectations. Analysts said that the group had made progress on a number of fronts, with improved clarity in the figures and current trading improving on the first half. However, they said Storehouse still had more to do to improve confidence.

Next, described by UBS as a strong "buy", rose 4 to 580½p.

Thorn, which disappointed the market this week with interim results, increased 6 to 299½p. Mercury Asset Management, the leading UK fund management group, announced it had increased its stake to 15.58 per cent.

The financial areas of the market took something of a back seat with the exception of Legal & General, whose shares marched up 7½ to 338½p after some keen buying interest, which some attributed to revived take-over talk.

Barclays Bank, elevated by a recent strong "buy" recommendation from Kleinwort Benson, attracted a flurry of profit-taking and closed 8 off at 976½p.

FT 30 INDEX

	Nov 21	Nov 20	Nov 19	Nov 18	Nov 15	Yr ago	*High	*Low
FT 30	2775.0	2784.9	2797.8	2777.7	2775.8	2656.8	2885.2	2668.8
Ord. div. yield	4.11	4.09	4.09	4.12	4.11	4.05	4.22	3.76
P/E ratio net	16.79	16.84	16.88	16.78	16.78	15.71	17.46	15.60
P/E ratio nil	16.63	16.68	16.72	16.60	16.62	15.58	17.30	15.71

FT 30 since compilation: high 2885.2 19/04/96; low 49.4 26/06/40. Base Date: 1/7/35.

FT 30 hourly changes

Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.00	High	Low
2782.2	2785.5	2774.9	2777.1	2781.5	2781.1	2782.1	2779.5	2774.7	2785.9	2774.2

	Nov 21	Nov 20	Nov 19	Nov 18	Nov 15	Yr ago
SEAQ bargains	35,142	37,750	36,343	40,044	37,957	32,092
Equity turnover (£m)†	-	1103.5	1023.3	985.8	1222.8	2277.3
Equity bargains†	-	24,414	23,302	26,802	26,386	38,070
Shares traded (mil)†	-	384.2	367.3	384.9	449.6	866.2

†Excluding intra-market business and overseas turnover.

	Nov 21	Nov 20	Nov 19	Nov 18	Nov 15	Yr ago	*High	*Low
FTSE AIM	1023.50	1023.80	1028.40	1030.00	1029.30	-	1140.40	985.70

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London market data

Rises and falls*		52 Week highs and lows		LIFFE Equity options	
Total Rises	398	Total Highs	58	Total contracts	30,912
Total Falls	718	Total Lows	105	Calls	14,663
Same	1,481			Puts	16,249

Nov 21 *Data based on Equity shares listed on the London Share Service.

FUTURES AND OPTIONS

■ FTSE 100 INDEX FUTURES (LIFFE) £25 per full index point (APT)

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	3980.0	3974.0	-10.0	3987.0	3963.0	8381	55370
Mar	3988.5	3992.5	-9.5	3997.0	3968.5	185	4829
Jun	-	4009.0	-10.0	-	-	0	1783

■ FTSE 250 INDEX FUTURES (LIFFE) £10 per full index point

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	-	4407.0	-4.0	-	-	0	4201
Mar	-	4443.0	-4.0	-	-	0	670

■ FTSE 100 INDEX OPTION (LIFFE) (*3953) £10 per full index point

	3800 C	3800 P	3850 C	3850 P	3900 C	3900 P	3950 C	3950 P	4000 C	4000 P	4050 C	4050 P	4100 C	4100 P	4150 C	4150 P
Dec	186	10	142	16	108½	25½	64	40	35½	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Jan	205½	21½	164½	30	126½	41½	93½	59½	64	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Feb	238	35	202½	46½	167½	59½	135	78½	107½	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Mar	238½	49	202½	63	167½	77½	135	97	107½	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Jun†	288½	87½			223	121½			165	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Calls 2,719 Puts 3,857

■ EURO STYLE FTSE 100 INDEX OPTION (LIFFE) £10 per full index point

	3775 C	3775 P	3825 C	3825 P	3875 C	3875 P	3925 C	3925 P	3975 C	3975 P	4025 C	4025 P	4075 C	4075 P	4125 C	4125 P
Dec	286	8½	160½	12½	118	19½	79½	31	47	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Jan	230	19	187	26	147	36	110½	49½	77½	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Feb	258½	31½	215	40	176	51	141	66	109½	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Mar	257½	44	219½	55½	184½	69	151½	85	121½	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Jun†			273	95½			208	128		[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Calls 2,790 Puts 6,306 * Underlying index value. Premiums shown are based on settlement prices. † Long dated expiry months.

LONDON RECENT ISSUES: EQUITIES

Issue price p	Amt paid up	Mkt. cap (£m.)	1996 High	1996 Low	Stock	Close price p	+/-	Net div.	Div. cov.	Grs yld	P/E net
§6	F.P.	11.1	7½	7	†Barrasford	7¼	-¼	-	-	-	-
3	F.P.	8.15	4¼	4	†Beaufort	4¼		-	-	-	48.6
§3	F.P.	7.55	4¼	4	†Beechcroft	4		-	-	-	13.2
§157	F.P.	37.2	177½	170½	Brands Hatch	170½		W3.5	1.9	2.8	17.2
§130	F.P.	37.0	162½	130	Britt Allcroft	157½	-2	L1.6	3.0	1.3	27.9
§135	F.P.	49.1	169½	152½	Charles Taylor	168½		L4.2	0.3	3.1	53.6
3	F.P.	7.41	4¾	4	†Corp Exec Search	4¾		-	-	-	-
160	F.P.	10.2	164½	155½	†Deep Sea Leisure	162½		-	-	-	-
§275	F.P.	64.4	298½	272½	Druid Grp	281½	+1½	-	-	-	30.6
§92	F.P.	9.26	97½	97½	Exeter Inv	97½		W3.5	1.6	4.5	17.4
§	F.P.	31.7	610	595	First Russian C	597½		-	-	-	-
100	F.P.	97.0	113½	81½	†Geo Inter Med	97	+2½	-	-	-	-
§100	F.P.	24.9	99½	98	Hlthcare Reform	99½		-	-	-	-
114	F.P.	10.8	132½	122½	†Jardinerie Ints	122½		-	-	-	-
§285	F.P.	138.8	310	292½	John D Sports	298½		L4.3	2.5	1.8	28.1
§175	F.P.	172.5	182½	172½	Limelight	172½	-2	bW4.7	2.1	3.4	17.9
72	F.P.	25.9	79½	67½	†Loftus Road	70	+½	-	-	-	-
§180	F.P.	27.3	222½	187½	†Majestic Wines	214½	+2	-	-	-	12.5
§10	F.P.	4.14	12¼	11¼	†Mears Group	11½	-¼	K0.2	-	2.2	-
75	F.P.	5.46	93½	82½	†Mondas	90½		-	-	-	-
§125	F.P.	22.9	135½	124½	Provend	132½		RW3.6	2.4	3.4	13.5
§154	F.P.	22.1	246½	187½	Oriental Rest	231½		-	-	-	26.2
§125	F.P.	33.7	139½	130½	Scot Highland Ht	138½		R3.0	2.4	2.7	13.8
§	F.P.	9.06	110½	110½	Second St David	110½		-	-	-	-
§	F.P.	1.07	10½	9½	Do Residual Cap	10		-	-	-	-
§	F.P.	10.8	183½	183	Do Zero Div Prf	183	-¼	-	-	-	-
3	F.P.	25.8	3¾	3¾	†Snakeboard	3¾		-	-	-	-

† Alternative Investment Market. § Placing price. * Introduction. For a full explanation of all other symbols please refer to The London Share Service notes.

FT GOLD MINES INDEX

	Nov 20	% chg on day	Nov 19	Year ago	Gross div yield %	P/E ratio	52 week High	52 week Low
Gold Mines Index (32)	1973.88	+2.1	1932.43	1878.73	1.54	-	2520.73	1832.04
■ Regional Indices								
Africa (14)	2449.97	+0.3	2442.77	2484.99	3.14	35.16	3553.86	2332.70
Australasia (6)	2142.01	+0.8	2125.26	2321.54	2.64	21.13	2927.34	2005.75
North America (12)	1820.29	+3.1	1764.75	1630.19	0.71	68.87	2168.39	1612.25

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FTSE Actuaries Share Indices — The UK Series

Produced in conjunction with the Faculty and Institute of Actuaries

	Nov 21	Day's chge%	Nov 20	Nov 19	Nov 18	Year ago	Div. yield%	Net cover	P/E ratio	Xd adj. ytd	Total Return
FTSE 100	3953.8	-0.2	3962.8	3978.1	3962.1	3602.5	4.01	2.04	15.30	160.80	1848.78
FTSE 250	4397.0	-0.1	4400.2	4400.3	4400.2	3934.0	3.58	1.49	23.51	162.62	1794.40
FTSE 250 ex IT	4438.2	....	4439.8	4440.7	4440.5	3954.1	3.65	1.52	22.55	170.88	1815.26
FTSE 350	1970.4	-0.2	1974.2	1980.2	1973.9	1788.3	3.91	1.93	16.55	78.82	1678.33
FTSE 350 Higher Yield	1872.8	-0.2	1877.4	1887.8	1883.1	1788.2	5.23	1.81	13.22	98.24	1343.24
FTSE 350 Lower Yield	2075.0	-0.2	2078.2	2079.9	2072.0	1793.0	2.74	2.14	21.34	59.54	1455.33
FTSE SmallCap	2160.19	....	2159.80	2160.42	2163.53	1949.28	3.16	1.59	24.87	83.41	1798.64
FTSE SmallCap ex IT	2163.82	+0.1	2162.26	2163.81	2167.72	1931.86	3.36	1.66	22.42	67.18	1814.69
FTSE All-Share	1945.10	-0.2	1948.57	1954.08	1948.57	1764.38	3.85	1.91	16.97	76.06	1681.91

■ FTSE Actuaries Industry Sectors

	Nov 21	Day's chge%	Nov 20	Nov 19	Nov 18	Year ago	Div. yield%	Net cover	P/E ratio	Xd adj. ytd	Total Return
10 MINERAL EXTRACTION(23)	3833.01	-0.5	3854.03	3865.45	3826.37	3068.52	3.72	1.71	19.68	142.73	1680.06
12 Extractive Industries(6)	4142.21	+2.0	4062.24	4033.85	3987.91	4251.20	3.92	2.68	12.00	162.00	1234.58
15 Oil, Integrated(3)	3968.29	-1.0	4007.72	4024.93	3986.13	3062.97	3.89	1.55	20.72	154.36	1787.28
16 Oil Exploration & Prod(14)	2816.01	-0.1	2820.18	2834.93	2816.43	1897.53	1.87	1.70	39.25	52.93	1706.86
20 GEN INDUSTRIALS(275)	1973.70	....	1973.03	1982.31	1978.54	1929.62	4.34	1.68	17.16	78.31	1100.56
21 Building & Construction(34)	1164.11	-0.3	1167.03	1172.80	1179.02	997.48	3.63	1.47	23.51	39.71	992.08
22 Building Matls & Merchs(29)	1814.66	....	1814.02	1815.97	1821.59	1753.95	4.26	1.40	20.97	74.81	936.28
23 Chemicals(25)	2368.29	-0.1	2370.03	2380.36	2355.45	2309.12	4.35	1.44	19.95	88.14	1141.61
24 Diversified Industrials(19)	1393.31	-0.2	1395.94	1414.79	1394.43	1746.75	7.27	1.62	10.61	89.84	803.53
25 Electronic & Elect Equip(36)	2251.12	+0.2	2245.53	2259.41	2271.79	2107.39	3.48	1.49	24.19	64.25	1187.23
26 Engineering(71)	2569.29	+0.2	2565.39	2567.06	2572.76	2156.99	3.19	2.28	17.15	78.11	1587.17
27 Engineering, Vehicles(14)	3128.48	+0.5	3112.37	3110.05	3100.37	2581.84	3.45	1.72	21.10	103.02	1651.29
28 Paper, Pckg & Printing(28)	2499.00	-0.2	2504.81	2528.47	2527.21	2493.53	4.14	1.82	16.60	92.41	1060.95
29 Textiles & Apparel(19)	1104.49	-0.4	1108.70	1111.31	1113.43	1462.46	6.46	1.17	16.53	65.45	695.51
30 CONSUMER GOODS(92)	3681.02	-0.3	3690.47	3707.99	3698.87	3530.13	3.94	1.94	16.39	139.23	1369.18
32 Alcoholic Beverages(8)	2700.42	-0.1	2704.16	2724.05	2733.71	2756.36	4.70	1.70	15.62	104.19	991.84
33 Food Producers(25)	2612.65	....	2613.01	2613.67	2610.49	2492.41	4.18	1.79	16.69	97.90	1204.31
34 Household Goods(15)	2598.14	-0.2	2603.47	2630.56	2724.93	2548.82	3.93	2.25	14.15	191.20	1048.17
36 Health Care(18)	1949.80	+0.3	1943.97	1946.05	1949.50	1953.38	3.06	1.99	20.47	55.92	1203.27
37 Pharmaceuticals(14)	5657.96	-0.7	5696.38	5724.36	5652.32	4948.13	3.02	2.01	20.55	172.19	1955.07
38 Tobacco(2)	3693.96	+0.9	3660.80	3692.24	3674.36	4853.81	7.02	2.13	8.36	262.07	951.26
40 SERVICES(253)	2580.68	....	2581.05	2577.19	2574.18	2176.07	2.91	1.97	21.82	78.95	1365.30
41 Distributors(30)	2928.27	-0.1	2930.48	2906.79	2908.84	2489.41	2.84	2.02	21.04	84.37	1088.26
42 Leisure & Hotels(25)	3196.29	+0.3	3186.76	3200.00	3214.18	2569.40	2.79	1.98	22.64	173.08	1739.19
43 Media(45)	4235.11	-0.2	4241.98	4227.69	4226.28	3496.78	2.17	2.11	27.26	92.82	1550.39
44 Retailers, Food(14)	2053.46	+0.1	2051.70	2046.99	2035.15	1859.71	3.84	2.31	14.07	72.63	1333.80
45 Retailers, General(45)	2087.81	-0.1	2089.05	2088.86	2090.64	1860.53	3.13	2.06	19.40	71.56	1218.39
47 Breweries, Pubs & Rest.(21)	3163.07	-0.2	3170.20	3179.26	3170.23	2740.00	3.29	2.00	19.01	73.81	1536.45
48 Support Services(50)	2664.26	+0.2	2659.26	2651.31	2645.28	1852.10	1.86	2.19	30.71	48.36	1711.21
49 Transport(23)	2588.98	+0.1	2586.01	2580.81	2582.84	2191.30	3.71	1.18	28.60	93.48	1104.85
60 UTILITIES(33)	2428.94	-0.4	2439.05	2458.96	2441.80	2452.30	5.43	1.75	13.15	168.88	1086.49
62 Electricity(12)	2640.63	+0.9	2616.09	2632.00	2616.17	2790.08	6.31	2.22	8.90	429.17	1429.88
64 Gas Distribution(2)	1493.35	-2.7	1534.95	1560.55	1534.95	1570.15	8.02	0.83	18.69	119.71	817.12
66 Telecommunications(8)	1996.33	-0.8	2013.02	2030.44	2014.36	1987.96	4.17	1.51	19.87	50.32	927.26
68 Water(11)	2272.58	+0.3	2266.13	2274.54	2279.03	2138.22	6.18	2.31	8.77	103.62	1290.52
69 NON-FINANCIALS(686)	2036.56	-0.2	2040.16	2046.30	2038.06	1859.52	3.87	1.82	17.74	81.68	1581.48
70 FINANCIALS(103)	3267.31	-0.1	3272.08	3281.70	3267.83	2852.09	4.07	2.36	12.98	124.83	1439.12
71 Banks, Retail(8)	4653.81	-0.5	4676.41	4691.03	4705.04	4023.65	3.90	2.71	11.82	175.98	1555.78
72 Banks, Merchant(6)	3745.04	-0.1	3747.96	3757.23	3752.58	3543.67	2.78	3.04	14.78	95.60	1205.55
73 Insurance(21)	1554.34	+0.5	1546.08	1550.30	1551.95	1423.31	5.41	2.30	10.07	79.70	1203.43
74 Life Assurance(7)	3817.47	+0.9	3783.92	3814.13	3822.06	3459.06	4.07	1.78	17.20	151.01	1623.05
77 Other Financial(20)	2694.49	-0.1	2697.04	2705.05	2701.71	2403.09	4.10	1.77	17.18	94.70	1566.32
79 Property(41)	1695.21	-0.1	1696.07	1690.65	1687.79	1390.87	3.80	1.27	25.91	49.57	1061.74
80 INVESTMENT TRUSTS(126)	3124.04	-0.4	3136.31	3130.43	3129.62	2954.56	2.27	1.12	48.95	63.57	1103.08
89 FTSE All-Share(895)	1945.10	-0.2	1948.57	1954.08	1948.57	1764.38	3.85	1.91	16.97	76.06	1681.91
FTSE Fledgling	1215.88	....	1215.85	1216.84	1219.78	1085.36	2.85	0.66	66.85	31.87	1289.54
FTSE Fledgling ex IT	1229.98	....	1229.48	1230.97	1234.87	1097.16	3.04	0.57	71.47	34.84	1306.19

■ Hourly movements

	Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.10	High/day	Low/day
FTSE 100	3961.4	3964.3	3947.5	3955.6	3960.0	3960.7	3952.8	3961.3	3953.5	3966.0	3947.3
FTSE 250	4400.7	4400.5	4395.9	4397.2	4398.9	4398.6	4398.5	4397.9	4396.4	4400.7	4395.7
FTSE 350	1973.7	1974.8	1967.8	1971.1	1973.0	1973.2	1974.0	1973.4	1970.2	1975.5	1967.8

Time of FTSE 100 Day's high: 8:42 AM Day's low: 9:57 AM. FTSE 100 1996 High: 4073.1 (21/10/96) Low: 3632.3 (16/07/96).

■ FTSE 350 Industry baskets

	Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.10	Close	Previous	Change
Bldg & Cnstrcn	1129.5	1127.7	1124.2	1129.4	1131.3	1131.0	1129.8	1129.8	1129.0	1129.0	1131.9	-2.9
Pharmaceuticls	5622.1	5623.6	5587.7	5595.7	5602.0	5601.2	5604.0	5605.1	5585.2	5585.1	5623.2	-38.1
Water	2254.2	2253.3	2252.8	2253.7	2257.6	2262.6	2260.8	2259.0	2260.0	2259.8	2253.4	+6.4
Banks, Retail	4730.9	4733.2	4703.7	4718.8	4721.4	4723.8	4728.7	4724.8	4713.8	4713.2	4736.1	-22.9

For further information on the FTSE Actuaries Share Indices please contact FTSE International on 0171 448 1810. The FTSE Actuaries Share Indices are calculated in accordance with a standard set of ground rules established by FTSE International in conjunction with the Faculty of Actuaries and the Institute of Actuaries. © FTSE International Limited 1996. All Rights reserved. "FT-SE" and "Footsie" are trade marks of the London Stock Exchange and The Financial Times and are used by FTSE International under licence. † Sector P/E ratios greater than 80 and net covers greater than 30 are not shown. ‡ Values are negative. NAME CHANGES: Lazard Smaller Equities now INVESCO Enterprise; BCE Holdings now Rage Software (Fledgling).

FTSE INTERNATIONAL

TRADING VOLUME

■ Major Stocks Yesterday

	Vol 000s	Closing price	Day's change
[illegible]	[illegible]	[illegible]	[illegible]

Based on trading volume for a selection of major securities dealt through the SEAQ system yesterday until 4.30pm. † Indicates an FTSE 100 index constituent. All trades are rounded. Source: Estel, part of FT Information.

Highs & Lows shown on a 52 week basis

WORLD STOCK MARKETS

EUROPE

AUSTRIA (Nov 21 / Sch)

BELGIUM/LUXEMBOURG (Nov 21 / Frs.)

CZECH REP (Nov 21 / Koruna)

DENMARK (Nov 21 / Kr)

FINLAND (Nov 21 / Mks)

FRANCE (Nov 21 / Frs.)

GERMANY (Nov 21 / Dm.)

GREECE (Nov 21 / Drachma)

ITALY (Nov 21 / Lira)

NETHERLANDS (Nov 21 / Fls.)

NORWAY (Nov 21 / Kroner)

POLAND (Nov 21 / Zloty)

PORTUGAL (Nov 21 / Escudo)

SPAIN (Nov 21 / Pta.)

SWEDEN (Nov 21 / Kronor)

SWITZERLAND (Nov 21 / Frs.)

TURKEY (Nov 21 / TL Lira)

PACIFIC

JAPAN (Nov 21 / Yen)

AUSTRALIA (Nov 21 / Aust$)

HONG KONG (Nov 21 / H.K.$)

INDONESIA (Nov 21 / Rupiah)

MALAYSIA (Nov 21 / MYR)

NEW ZEALAND (Nov 21 / NZ $)

SINGAPORE (Nov 21 / S$)

SOUTH KOREA (Nov 21 / Won)

TAIWAN (Nov 21 / TW $)

THAILAND (Nov 21 / Baht)

NORTH AMERICA

CANADA

TORONTO (Nov 21 / Can $)
4 pm close

MONTREAL (Nov 21 / Can $)
4 pm close

AFRICA

SOUTH AFRICA (Nov 21 / Rand)

Prices supplied by Telekurs

INDICES

	Nov 21	Nov 20	Nov 19	1996 High	1996 Low
Argentina					
General(29/12/77)	(u)	17612.32	17725.14	18081.85 20/5	15287.25 22/8
Australia					
All Ordinaries(1/1/80)	2392.5	2392.7	2386.0	2392.76 20/11	2080.16 17/7
All Mining(1/1/80)	954.4	951.5	941.7	1118.40 8/5	921.38 12/11
Austria					
Credit Aktien(30/12/84)	369.00	368.03	368.92	384.99 31/5	349.18 6/8
Traded Index(2/1/91)	1085.79	1080.11	1081.14	1142.51 28/5	975.27 2/1
Belgium					
BEL20(1/1/91)	1863.55	1859.35	1868.91	1872.17 18/11	1574.90 2/1
Brazil					
Bovespa(29/12/83)	(u)	65413.0	65570.0	67988.00 21/10	43801.88 2/1
Canada					
Metals Minls(1975)	(u)	5325.98	5420.38	5824.88 8/5	4887.47 16/1
Composite(1975)	(u)	5866.10	5905.60	5866.10 20/11	4739.78 15/1
Portfolio§§(4/1/83)	(u)	2881.83	2926.42	2881.83 20/11	2327.39 12/1
Chile					
IGPA Gen(31/12/80)	(u)	5228.59	5176.56	5804.33 8/1	5171.28 18/11
Denmark					
CopenhagenSE(3/1/83)	449.84	449.93	449.58	454.28 21/10	368.40 2/1
Finland					
HEX General(28/12/90)	2380.38	2372.68	2354.28	2380.38 21/11	1881.67 10/1
France					
SBF 250(31/12/90)	1502.89	1500.71	1502.34	1502.89 21/11	1268.15 2/1
CAC 40(31/12/87)	2233.57	2233.38	2240.05	2240.33 15/11	1887.85 11/1
Germany					
FAZ Aktien(31/12/58)	959.05	966.33	960.84	969.85 15/11	818.55 2/1
Commerzbank(1/12/53)	2797.0	2816.2	2800.4	2828.70 15/11	2378.10 2/1
DAX‡(30/12/87)	2772.34	2774.58	2764.09	2795.80 15/11	2284.88 2/1
Greece					
Athens SE(31/12/80)	900.65	913.10	917.10	1017.88 4/3	872.99 7/8
Hong Kong					
Hang Seng(31/7/64)	13099.5	13167.16	13058.93	13167.16 20/11	10204.87 2/1
India					
BSE Sens.(1979)	3043.30	3062.60	3139.83	4069.28 18/6	2828.06 25/1
Indonesia					
Jakarta Comp.(10/8/82)	602.98	608.75	615.20	630.21 24/4	512.49 2/1
Ireland					
ISEQ Overall(4/1/88)	2619.20	2630.84	2639.86	2780.04 4/10	2224.81 2/1
Italy					
Banca Comm Ital(1972)	653.54	655.58	648.92	674.19 20/5	572.21 27/3
MIB General(2/1/86)	1108.0	1112.0	1101.0	1142.00 20/5	978.00 27/3
Japan					
Nikkei 225(16/5/49)	21143.34	21189.96	20956.18	22666.80 26/6	19734.70 13/3
Nikkei 300(1/10/82)	295.55	295.76	293.46	318.79 26/6	284.48 11/3
Topix(4/1/68)	1570.81	1572.78	1562.08	1722.13 26/6	1524.12 13/3
2nd Section(4/1/68)	2004.10	2014.36	2013.81	2251.48 2/7	1992.78 14/3
Malaysia					
KLSE Comp.(4/4/86)	1205.72	1202.09	1196.08	1205.72 21/11	985.18 2/1
Mexico					
IPC(Nov 1978)	(u)	(c)	3358.16	3433.75 27/8	2738.36 8/3
Netherland					
CBS TtlRtnGen(End 83)	703.0	702.9	705.9	708.30 18/11	598.80 2/1
CBS All Shr(End 83)	412.8	412.8	414.3	414.80 18/11	326.70 2/1
New Zealand					
Cap. 40(1/7/86)	2363.40	2351.84	2342.34	2367.78 21/10	2025.14 7/6
Norway					
Oslo SE(Ind)(2/1/83)	1556.92	1554.09	1548.13	1558.32 21/11	1288.88 30/1
Philippines					
Manila Comp(2/1/85)	3089.11	3117.62	3109.02	3374.40 3/7	2578.97 2/1
Portugal					
BVL 30(4/1/93)	2082.02	2079.89	2077.00	2082.34 18/11	1882.81 2/1
Singapore					
SES All-S'pore(2/4/75)	538.27	538.77	533.17	616.37 5/2	533.76 21/10
South Africa					
JSE Gold(28/9/78)	1704.6♥	1712.5	1687.2	2080.49 29/5	1348.49 2/1
JSE Ind.(28/9/78)	7980.1♥	8077.3	8086.9	8738.30 25/1	7582.40 21/8
South Korea					
KoreaCompEx**(4/1/80)	744.91	744.14	747.85	986.84 7/5	728.83 11/11
Spain					
Madrid SE(30/12/85)	381.41	381.35	380.81	381.41 21/11	323.76 11/1
Sweden					
AffarsvarldenGen(1/2/37)	2254.4	2239.4	2243.2	2254.40 21/11	1708.80 22/1
Switzerland					
Swiss Bk Ind(31/12/58)	1818.66	1829.67	1838.39	1840.88 15/11	1518.16 17/1
SBC General(1/4/87)	1299.84	1305.90	1308.25	1308.67 15/11	1114.47 25/1
Taiwan					
WeightedPr.**(30/6/66)	6692.49	6729.36	6687.66	6729.36 20/11	4690.22 8/2
Thailand					
Bangkok SET(30/4/75)	955.35	968.43	984.19	1415.04 8/2	955.34 15/10
Turkey					
Istanbul Comp.(Jan 1986)	87299.2	84695.1	78861.3	87259.20 21/11	36779.30 2/1
WORLD					
MS Capital Intl(1/1/70)	828.8*	829.7	824.6	829.80 21/11	725.90 10/1
CROSS-BORDER					
Eurotrack 100(26/10/90)	1827.09	1826.66	1824.80	1829.66 20/11	1584.48 11/1
Euro Top-100(26/6/90)	1537.02	1534.86	1539.72	1539.72 19/11	1328.81 11/1
HSBC JC Dpgs(31/12/88)	(u)	410.05	405.73	410.85 20/11	344.19 2/1
MG Emgs Emg(7/1/82)	159.22	158.64	159.50	185.91 4/7	147.35 2/1

INDEX FUTURES

	Open	Sett Price	Change	High	Low	Est. vol.	Open Int.
■ CAC-40 (200 x Index)							
Nov	2233.0	2235.5	-	2250.0	2230.0	36,787	23,936
Dec	2239.0	2240.0	-	2252.0	2235.0	24,815	19,426
■ DAX							
Dec	2774.0	2771.5	+1.5	2784.0	2764.0	17,277	-
Mar	2795.0	2789.0	-	2801.0	2784.0	321	-
■ OMX							
Nov	1750.00	1758.00	+16.00	1762.50	1738.75	8,086	12,444
Dec	1749.00	1764.75	+15.60	1770.00	1748.00	4,518	21,508
■ SOFFEX							
Dec	3888.0	3859.5	-22.6	3896.0	3858.0	4,829	21,143
Jan	3888.0	3887.0	-14.0	3900.0	3871.0	52	1,947

** Sat Nov 16: Taiwan Weighted Price 6556.10; Korea Comp Ex 758.67. Base values of all indices are 100 except Australia All Ordinary and Mining - 500; Austria Traded, BEL20, HEX Gen., MIB Gen., BVL30, SBF250, CAC40, Euro Top-100, ISEQ Overall, Toronto Comp./Metals & Minerals and DAX - all 1,000; JSE Gold - 255.7; JSE 25 Industrials - 264.3; NYSE All Common - 50 and Standard and Poor's - 10. §§ Montreal. ◆ Toronto. (c) Closed. (u) Unavailable. ‡ IBIS/DAX after-hours index: Nov 21 - 2763.85 -2.49. † Correction. * Calculated at 15.00 GMT. ● Excluding bonds. ‡ Industrial, plus Utilities, Financial and Transportation. ◆ The DJ Ind. Index theoretical day's highs and lows are the averages of the highest and lowest prices reached during the day by each stock; whereas the actual day's highs and lows (supplied by Telekurs) represent the highest and lowest values that the index has reached during the day. (The figures in brackets are previous day's.)

US INDICES

Dow Jones	Nov 20	Nov 19	Nov 18	1996 High	1996 Low	Since compilation High	Since compilation Low
Industrials	6430.02	6397.60	6346.91	6430.02 (20/11)	5032.94 (10/1)	6430.02 (20/11/96)	41.22 (8/7/32)
Home Bonds	103.85	104.07	103.63	106.69 (14/2)	100.99 (15/7)	109.77 (18/10/93)	54.99 (1/10/81)
Transport	2273.83	2257.06	2242.63	2286.20 (22/5)	1882.71 (18/1)	2286.20 (22/5/96)	13.23 (8/7/32)
Utilities	234.63	234.49	233.37	236.68 (7/11)	204.88 (30/7)	256.48 (31/8/93)	16.53 (8/7/32)

DJ Ind. Day's high 6482.20 (6428.16) Low 6370.02 (6323.06) (Theoretical◆)
Day's high 6448.79 (6397.60) Low 6394.24 (6347.29) (Actual◆)

Standard and Poors	Nov 20	Nov 19	Nov 18	1996 High	1996 Low	Since compilation High	Since compilation Low
Composite‡	743.95	742.16	737.02	743.95 (20/11)	598.48 (10/1)	743.95 (20/11/96)	4.40 (1/6/32)
Industrials♥	872.61	870.69	865.30	872.61 (20/11)	702.07 (15/1)	872.61 (20/11/96)	3.52 (30/6/32)
Financial	82.26	82.02	81.02	82.26 (20/11)	58.67 (10/1)	82.26 (20/11/96)	7.13 (4/9/74)
NYSE Comp.	392.80	391.80	389.90	392.80 (20/11)	321.41 (10/1)	392.80 (20/11/96)	4.64 (25/4/42)
Amex Mkt Val	587.19	584.64	584.18	614.98 (22/5)	525.60 (16/7)	614.98 (22/5/96)	29.13 (9/12/74)
NASDAQ Cmp	1284.94	1282.62	1254.57	1270.36 (14/11)	988.57 (15/1)	1270.36 (14/11/96)	54.87 (31/10/74)

■ RATIOS

	Nov 15	Nov 8	Nov 1	Year ago
Dow Jones Ind. Div. Yield	2.06	2.09	2.15	2.35
	Nov 20	**Nov 13**	**Nov 6**	**Year ago**
S & P Ind. Div. yield	1.84	1.87	1.89	2.38
S & P Ind. P/E ratio	22.93	22.64	23.58	19.03

■ NEW YORK ACTIVE STOCKS

Wednesday	Stocks traded	Close price	Change on day
K-Mart	9,952,400	10½	-⅛
Micron Tch	8,535,500	31¼	+¾
IBM	8,223,900	152¾	-1
Hewlett-P	5,528,800	52⅝	-¾
General Mt	5,290,800	57⅛	+2½
Wal-Mart	5,164,300	24⅞	+⅜
Bay Ntwk	4,945,500	25¾	+¼
Chrysler	4,529,700	34¼	+1½
AT & T	4,510,100	37¼	+⅛
First Chic	3,862,600	55	-2

■ TRADING ACTIVITY

● Volume (million)

	Nov 20	Nov 19	Nov 18
New York SE	489.397	454.412	388.044
Amex	23.886	21.514	19.812
NASDAQ	577.549	582.229	507.662
NYSE			
Issues Traded	3,307	3,323	3,299
Rises	1,358	1,439	1,156
Falls	1,070	1,011	1,220
Unchanged	879	873	923
New Highs	282	234	183
New Lows	21	22	30

	Open	Latest	Change	High	Low	Est. vol.	Open Int.
■ S&P 500							
Dec	745.80	744.50	-1.65	747.95	744.20	81,880	193,024
Mar	754.10	751.80	-1.25	754.50	751.40	7,300	17,153

	Open	Sett price	Change	High	Low	Est. vol.	Open Int.
■ Nikkei 225							
Dec	21170.0	21170.0	-50.0	21360.0	21170.0	24,457	212,925
Mar	21210.0	21190.0	-50.0	21390.0	21190.0	9,001	44,509

Open interest figures for previous day.

■ TOKYO - MOST ACTIVE STOCKS: Thursday, November 21, 1996

	Stocks Traded	Closing Prices	Change on day		Stocks Traded	Closing Prices	Change on day
Honda Motor	12.5m	3080	+90	Green Cross Cp	5.3m	563	-22
Toyota Motor	8.6m	2970	+20	Nippon Steel Cp	5.1m	349	-1
NKK Corp	8.2m	293	+4	Hitachi	4.7m	1050	+30
NEC Corp	6.3m	1360	-10	Sumitomo Mtl Ind	[illegible]	[illegible]	[illegible]

NOTES - Prices on this page are as quoted on the individual exchanges and are mostly last traded prices.

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NEW YORK STOCK EXCHANGE PRICES

4 pm close November 21

1996 High	Low	Stock	Div	Yld %	P/E	Sls 100s	High	Low	Close Quote	Chng Prev. Close
31¼	17¾	AAR	0.48	1.8	24	158	27⅜	26½	26½	-1⅛
45⅝	33	AMP	1.00	2.7	18	7289	36⅞	36¼	36⅝	
97½	68	AMR			18	6040	91⅝	89¼	90½	-½
50½	37⅞	ASA x	1.40	3.8	25	1059	38½	36⅝	36¾	-1
55⅛	38½	AbbotL	0.96	1.8	23	9583	u55⅛	54	54¾	+⅞
17¼	12¾	AbitbiPr	0.40	2.7	7	781	15⅜	15	15	-⅜
20¼	13½	ABM Ind	0.35	2.0	17	197	17⅜	17⅛	17⅛	
22½	13⅞	Acptnceln			19	208	20¾	20⅜	20½	
60	37⅞	ACE Ltd	0.58	1.0	14	2808	59¼	58⅛	58⅛	-⅞
10⅞	9⅛	ACM Gvt In	0.90	8.9	8	199	10¼	10⅛	10⅛	-⅛
7⅞	6⅝	ACM GvOpp	0.57	7.9		70	7⅜	7¼	7¼	
9⅞	8⅜	ACM Mgn	0.90	9.1		391	u9⅞	9¾	9⅞	
13⅞	6⅛	Acme Elect	0.32	4.5	54	55	7¼	7⅛	7⅛	
20⅞	13⅞	Acme Mills			14	232	u20⅞	19½	19½	
30¾	27¼	Acordia	0.72	2.3	15	102	30¾	30	30¼	+1
24¾	12	Acxcom			107	1646	22¾	21⅞	22½	-¼
21⅞	17⅞	Adams Expr x	0.55	2.8	1	509	19⅞	19⅝	19⅞	-1⅛
25¾	10¼	AdvMic			25	15471	25⅞	23¼	24⅞	-½
11⅞	8½	Advest Grp	0.16	1.6	7	198	10⅛	10	10⅛	+⅛
26⅛	9⅛	Advo Inc	0.10	0.8	97	127	12¾	12½	12⅝	
58⅝	41⅛	Aegon	1.45	2.6	17	44	56	55⅝	55⅞	-⅛
6¾	3½	Aeriix				3	229	4⅝	4½	4⅝	+⅛
70⅞	57⅞	Aetna	0.80	1.2	8	3122	69⅝	69⅛	69½	+⅛
44	28¼	Aflac x	0.40	0.9	17	1330	42½	42⅛	42⅜	-⅛
22	17⅛	AGL Rsp x			15	332	21⅜	20⅞	20⅞	-⅛
33⅞	21¼	Ahmdan x	0.88	2.6	58	5635	u33⅞	32⅞	33½	+½
69⅝	50⅞	AirPrC	1.10	1.6	18	583	68⅞	68⅛	68¾	
[illegible]										

- B -

1996 High	Low	Stock	Div	Yld %	P/E	Sls 100s	High	Low	Close Quote	Chng Prev. Close
[illegible]										
42⅝	27¾	BarnBk	2.16	5.2	14	3391	42⅛	41	41¼	-¾
32⅞	24⅝	BrckGd	0.14	0.5	34	14705	28⅜	27¼	27¼	-1⅛
16	10¾	Barry(RG)			11	442	11⅛	11	11	
11⅝	7⅛	BatlMt	0.05	0.7	84	5542	8	7⅝	7⅝	-⅜
44½	32½	Bausch	1.04	2.9	21	24313	36	32¾	35½	+2¼
46¼	33	Baxter	1.13	2.8	16	11475	42	40½	40½	-⅞
43⅛	18⅛	BayNtwks			33	20973	26¼	25	25⅜	-⅜
29⅞	25⅛	Bay St Gas x	1.54	5.2	14	65	29⅜	29	29⅞	+⅛
40⅞	15¾	BBN			10	573	23	22½	22⅝	-⅜
22¾	19⅜	Bd Tr 1838	1.56	7.8		38	20¼	20⅛	20⅛	-⅛
8⅞	7¼	BEA Inc	0.72	9.8		969	7½	7⅜	7⅜	-⅛
9⅝	8½	BeaStrat	0.81	8.9		74	9⅛	9	9⅛	+⅛
26	17¼	Bear Stns x	0.60	2.3	7	2031	u26	25⅝	26	+¼

Sections - C -, - D -, - E -, - F -, - G -, - H -, - I -, - J -, - K -, - L -, - M -, - N -, - O -, - P - Q -, - R -, - S -: [illegible]

Continued on next page

NYSE PRICES

4 pm close November 21

High	Low	Stock	Div	Yld %	P/E	Sls 100s	High	Low	Close Quote	Chng Prev. Close
		Continued from previous page								
32¾	18⅝	Schwab(C)	0.18	0.8	28	5106	29⅜	28½	28½	-1¼
33⅜	22¾	SchwMaud	0.60	1.9	15	301	31	30⅞	30⅞	
20⅝	12	[illegible]	0.06	0.4	66	1323	14⅞	14⅜	14⅝	
24¾	17	Scotsman	0.10	0.4	12	87	23¼	23⅛	23⅛	+⅛
18⅛	12⅝	[illegible]	0.02	0.2		261	13⅛	13	13	-⅛
14⅛	11	[illegible]	0.18	1.2		98	14	13⅞	13⅞	-⅛
20¾	14¾	SeaCnA	0.77	4.9	23	188	15⅞	15⅝	15⅝	+¼
16	15	SeaC1.4625	1.46	9.6		4	15¼	15¼	15¼	
78⅞	38⅛	[illegible]				3714530	u78⅞	75¾	78	-1⅞
40⅞	30⅞	Seagrm	0.61	1.5	27	4052	u40⅞	40	40⅛	-⅛
26	17¼	Staged En	1.20	5.1	58	2144	23⅝	23⅛	23⅜	+¼
44⅛	38	Sealed Air	0.64	1.6	26	849	40⅞	40½	40¾	-⅛
53⅞	38¼	SearsR	0.92	1.9	17	6772	48⅞	48⅛	48¼	+⅛
20⅝	17	[illegible]	1.24	6.2	13	421	20¼	20⅛	20⅛	-⅛
13	11⅞	[illegible] x	0.84	6.8		56	12½	12⅜	12⅜	
23¾	13⅝	Sensormat	0.22	1.1	13	2357	20⅛	19½	20⅛	+¼
46½	29½	SequaA	0.60	1.5	40	231	39⅛	38⅞	38⅞	-⅛
53⅝	38	SequaB	0.60	1.0	53	2100	51	51	51	
31¾	19½	ServCp	0.24	0.8	27	2715	29⅜	29⅛	29¼	-⅛
26⅝	19½	SvMstr	0.66	2.7	15	458	25⅞	25½	25⅝	-⅛
6¼	4⅞	ServMerch			12	2083	5½	5⅜	5⅜	
63	28½	SGSThm			13	1110	62¼	61¼	62⅛	+½
15⅝	10⅝	Shaw Ind x	0.30	2.6	29	682	11¾	11½	11½	-¼
14⅞	10⅛	Shelby Wil	0.32	2.4	14	16	13¼	13⅛	13⅛	-⅛
101½	76⅝	ShellTr	3.48	3.5	19	398	100⅝	99⅛	99⅜	-1¼
57⅛	39	ShermW x	0.70	1.2	27	1088	56¾	56⅛	56¾	+⅛
13⅞	7⅛	Shoneys			9	1942	8	d7⅛	8	
35½	18	Showboat	0.10	0.5	82	640	18¾	d18	18¼	-⅛
28⅝	22¾	Sierra Pac	1.18	4.2	12	894	28⅜	27⅞	28⅜	+⅜
8	3⅛	[illegible]			0	6	3⅝	3½	3½	
29⅞	20	Signet Bnk	0.84	2.9	17	4082	29⅜	29	29⅜	
30⅝	17⅞	SiliconGr				101	4981	19⅜	19	19¼	-¼

High	Low	Stock	Div	Yld %	P/E	Sls 100s	High	Low	Close Quote	Chng Prev. Close
4	3	Zapata	0.14	3.7	10	13	3¾	3⅝	3¾	+⅛
25¾	5⅞	ZnithEl			5	1198	12⅝	12¼	12¼	-⅛
28⅞	21⅛	Zenith Nat	1.00	3.8	35	118	26⅝	26⅝	26⅝	+⅛
7¼	6½	Zenix Inc x	0.72	10.1		283	u7¼	7⅛	7⅛	-⅛
22⅞	15⅛	Zero	0.12	0.6	17	205	20⅛	19⅞	20⅛	+⅛
28½	18½	Zurn Ind	0.40	1.4	22	259	28¼	27½	28¼	+⅛
11⅜	10½	Zweig Fund	1.08	9.8		376	11	10⅞	11	
9	8¼	Zweig Tot x	0.84	10.0		803	8½	8⅜	8⅜	

Price data supplied by Telekurs

Yearly highs and lows for NYSE reflect the period from Jan 1 1996. Unless otherwise noted, rates of dividend are annual disbursements based on the latest declaration. Sales figures are unofficial.

d-new yearly low. P/E price-earnings ratio. dv-sales. u-new yearly high. x-ex-dividend or ex-rights. yld-yield. z-sales in full. ¢ Dealings suspended.

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AMEX PRICES

4 pm close November 21

NASDAQ NATIONAL MARKET

4 pm close November 21

SHEPHERD LITTLE

Dow, tech stocks fall in tandem

AMERICAS

US blue chips turned back from their record setting run and the technology sector fell victim to some profit-taking, *writes Lisa Bransten in New York.*

At 1 pm, the Dow Jones Industrial Average was off 20.50 at 6,409.52 and the Standard & Poor's 500 had fallen 2.01 to 741.94. The American Stock Exchange composite lost 0.53 at 586.66. NYSE volume was 271m shares.

The Nasdaq composite, which is weighted toward the technology sector, was 6.49 lower at 1,258.45 and the Pacific Stock Exchange technology index was 0.5 per cent lower.

Large capitalisation technology stocks, which had led the market on the way up, fell yesterday. Intel shed $2¼ at $118⅝, Microsoft lost $2¼ at $151. Also posting losses were Motorola, off $1⅛ at $53¾, and Advanced Micro Devices, which fell $1⅛ to $23¾.

Compaq Computer shed $1⅝ at $78½ after announcing it would cut prices on some of its products.

Shares in the Dow were mixed. IBM, which had posted a stunning series of gains in recent sessions, managed to avoid losses by early yesterday afternoon. By 1 pm, it was $⅝ higher at $153 to post yet another nine year high.

Boeing added $1 to the $2⅝ it rose on Monday, bringing the shares to $97⅝ on news that American Airlines would place a large order with the aircraft manufacturer.

Profit-taking did hit other components of the Dow. Caterpillar gave up $1 of the $4⅝ it rose on Wednesday, bringing the shares to $77⅝, and Aluminum Company of America (Alcoa) shed $1⅛ of the $1⅞ it climbed on Wednesday, bringing those shares to $63⅞.

Shares in CompuServe, the online service company, slid $1 or 9 per cent to $10⅝ after it reported a higher than expected operating loss and said that it planned to abandon its family-oriented Wow! service and pursue services to businesses.

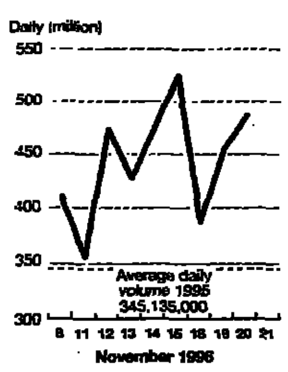
Olsten, the temporary employment agency, tumbled $5⅛ or 26 per cent to $14⅝ after warning that it expected net income for the fourth quarter to be less than half of the 41 cents a share that analysts had forecast.

TORONTO kept in step with the week early trend on Wall Street, falling back from recent peaks to leave the 300 composite index off 27.71 at 5,938.39 in good two-way volume.

Golds led the way down and financial services were also noticeably flat. The golds index slid more than 2 per cent. Trading volume during the morning session topped 57m shares.

Barrick Gold fell 75 cents to C$37.15 and Placer Dome 80 cents to C$34.90. Royal Bank of Canada retreated 70 cents to C$46.56.

NYSE volume



CANTV spurs Caracas

CARACAS moved 1.1 per cent higher as investors prepared for the start of trading in CANTV, the telephone company, after the successful conclusion of the global share issue. The IBC index was 66.93 higher at 6,118.67 by midsession.

Final pricing of the CANTV issue was due later in the session, and analysts said that the early reference range put the issue at between $3.07 and $3.50.

MEXICO CITY saw a short-lived morning rebound in response to third quarter GDP data, but by midsession the IPC index was down 31.31 at 3,326.85.

The finance ministry announced that third quarter GDP was up 7.4 per cent, higher than the 6.5 per cent consensus estimate.

One analyst commented that the market was unlikely to take off in the absence of renewed foreign demand.

S Africa tumbles on rate rise

A one percentage point rise for central bank market rates pushed the rand ahead in the foreign exchanges, but created near-mayhem on the Johannesburg stock market where share prices plunged across the board.

At the close, the overall index was down 76.5 at 6,774.4 after a fall of 97.2 to 7,980.1 for the industrial index. De Beers, a leading blue-chip, gave up more than 2 per cent, sliding R3 to R139.75 in turnover of R77m.

Dealers said that the rate rise caught the market on the hop. "The recent weakness for the rand has been signalling some sort of central bank support, but even so, most traders were surprised by the move", said one broker.

Selling was aggressive from the opening bell with the futures market said to have shown a particularly mean turn of speed on the downside. Even golds were pulled lower in spite of a brief rise above $380 for the bullion price. Anglo American fell R4.75 to R261.75 and South African Breweries R3.50 to R117.25. The golds index closed off 7.9 at 1,704.6.

Five new highs around Europe's periphery

EUROPE

Senior bourses remained subdued but five peripheral countries registered all-time highs, including Spain, Turkey and, in the Nordic bloc, Sweden, Norway and Finland.

Wall Street tipped into deficit in the American midmorning; but it was bonds, rather than overseas equity markets which were the common factor among the three Nordic winners and in Spain, said Mr François Langlade-Demoyen, European equity strategist at CS First Boston.

Convergence was continuing in European financial markets, and helping peripheral countries, said Mr Langlade. In addition, he said, their competitiveness was improving and some recent results had been beneficial. Atlas Copco, the Swedish industrial engineering group was the latest example, maintaining its forecast of higher 1996 profits yesterday, lifting the B shares by SKr4 to SKr144 and helping STOCKHOLM'S Affärsvärlden General index to a gain of 15.0 at 2,254.4.

OSLO, meanwhile, scraped to its 10th consecutive closing high, the total index closing just 0.63 higher at 920.24; and MADRID cut it even finer, with the general index 0.6 better at 391.41.

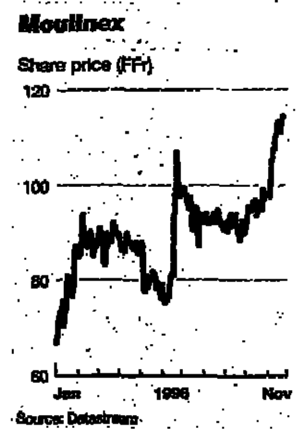
HELSINKI, although it was particularly edgy over the Dow's prospects, still managed to lift the Hex index by 7.68 to 2,380.36 as attention moved from blue chips to small capitalisation stocks.

PARIS again traded narrowly in spite of an active session for the takeover rumour mill.

Moulinex, the domestic appliance maker best known for its vacuum cleaners and food mixers, surged by almost 5 per cent at one stage following the news that Mr George Soros had bought into the company.

It emerged late on Wednesday that the international hedge fund investor had taken 5.5 per cent of Moulinex, which announced a radical restructuring earlier this year. The shares eventually closed up FFr1.40 at a new peak of FFr112.50.

Moulinex



Club Med, which the bid gossips have recently linked to a takeover attempt from Accor, the hotels group, continued to advance. But Casino, the supermarkets chain, retreated following a trenchant denial from retailer, Promodes.

Club Med gained FFr9.90 to FFr330.9. Casino shed FFr8.10 to FFr240 as Promodes, which said it was not and never had been in talks with Casino, fell FFr31 to FFr1,454.

Renault stayed under pressure as worries about weak trading, sparked by flat results from Fiat, took a firm grip. The stock fell FFr2.90 to FFr114.10, against a low for the year of FFr107.

Lafarge put on FFr7.70 to FFr326 for a two-day rise of almost 4 per cent after Morgan Stanley added its name to the growing list of brokers with buy recommendations.

At the close, the CAC 40 was up 0.16 at 2,233.57.

FRANKFURT drifted although forecasts were emerging that the Dax index, 0.79 lower at an Ibis-indicated 2,765.29 last night, could top 3,000 next year.

Here, bunds and bund futures were steady in late trade but the dollar was still below DM1.50, the Bundesbank had left interest rates unchanged, and with September retail sales down 4 per cent in real terms, it was left to the automotive industry to provide some good economic news with October new car registrations up 6.9 per cent.

Among carmakers, Daimler's expectation of 10 to 11 per cent growth for 1996 left the shares 75 pfg higher at DM96.95.

AMSTERDAM had a mixed session with investors mostly focusing on ING and CSM, the day's two big results. Both disappointed the market.

ING, the insurance and banking group, eased 10 cents to Fl 58.90 in spite a 34 per cent rise for nine-months profits. The foods group, CSM, tumbled Fl 3.60 to Fl 91.80 after bottom of the range half-year numbers.

The shakeout at CSM sparked switching into the rival foods stocks, Nutricia and Unilever, up Fl 4.60 to Fl 250.20 and Fl 3.10 to Fl 283.70 respectively.

Internationals reflected the mixed session. Philips gained 40 cents at Fl 63.30 and KLM added 40 cents at Fl 40.70. But Royal Dutch fell Fl 2.70 to Fl 283.30.

ZURICH saw further action in SEZ, the technology group, which jumped SFr93 or 5.9 per cent to SFr1,660 on its second day of trading. During Wednesday's debut, the shares rocketed to SFr1,567, a 63 per cent premium over the offer price of SFr960.

The advance prompted comparisons with the performance of Esec, another second tier technology group and a market favourite, after its near 300 per cent advance between January 1995 and mid June this year. Yesterday, Esec gave up SFr80 to SFr5,520 but in the same sector, Micronas picked up SFr10 to SFr1,090.

The broad market consolidated further, the SMI index losing 21.8 to 3,861.5. Nestlé fell SFr18 to SFr1,399 in further response to Wednesday's 10 month figures but Alusuisse rose SFr8 to SFr1,003 as recent brokers' recommendations prompted domestic and foreign demand.

ISTANBUL jumped 3.2 per cent to an all-time high on strong demand for Eregli as hopes rose for the early privatisation of the largely state-owned flat steel producer.

The IMKB-100 index rose 2,704.17 to 87,299.29 in record turnover of TL31,000bn. Hectic trade was reported in Eregli, which gained TL2,000 to TL14,500.

ATHENS fell 1.4 per cent as disagreements over Ergo Bank's planned Dr27,300bn rights issue tugged the shares down 5.3 per cent and the ripples spread to the rest of the financial sector. The general index lost 13.45 at 900.65 and Ergo Bank dropped Dr645 to Dr11,545.

Written and edited by William Cochrane, Michael Morgan and Jeffrey Brown

FTSE Actuaries Share Indices — THE EUROPEAN SERIES

Nov 21	Open	10.30	11.00	12.00	13.00	14.00	15.00	Close
FTSE Eurotrack 100	1828.13	1825.66	1826.42	1825.65	1827.31	1829.44	1826.92	1827.09
FTSE Eurotrack 200	1867.84	1867.64	1868.07	1868.76	1871.60	1873.69	1873.23	1870.67

	Nov 20	Nov 19	Nov 18	Nov 15	Nov 14
FTSE Eurotrack 100	1826.55	1824.80	1827.08	1826.08	1811.76
FTSE Eurotrack 200	1869.15	1866.65	1869.03	1865.31	1852.99

Base value 1000 (26/10/90) High/day: 100 - 1830.24; 200 - 1874.37 Low/day: 100 - 1824.76 200 - 1866.48 † Partial

Taipei turns lower on gangland shooting news

ASIA PACIFIC

News of a gangland shooting swung TAIPEI dramatically into reverse. The weighted index, which hit a high of 6,771.39 during the morning, fell by almost 80 points to close off 36.87 at 6,692.49.

The shooting, killing eight people in the home of a Taiwan official, had rekindled concern about Taiwan's poor social order and sparked profit-taking after the recent strong rise.

Electronics stayed firm in spite of the afternoon sell-off. The sector gained 0.64 per cent, and CMC Magnetics jumped T$1.6 to T$45.4 after news of a big US order. Acer, the computer group, *added 80 cents to T$45.*

Asustek, the computer equipment group floated this year at T$98, surged by the *daily 7 per cent limit* to T$171, limit-up for the seventh consecutive session.

TOKYO retreated only slightly, resisting the potential shock wave from the collapse of a second-tier regional bank in western Japan under a mountain of bad loans, *writes Gwen Robinson in Tokyo.*

The Nikkei 225 average closed 46.63 lower at 21,143.34 after moving between 21,105.11 and 21,301.26. There was continued buying of blue chip issues, in particular Honda and Toyota, but this failed to generate broader buying interest.

News of the Finance Ministry's order to Hanwa Bank to cease all operations, except for customer deposit withdrawals, had little impact on the trading floor. Some investors took the ministry's order as a positive sign of the government's determination to rectify the bad debt problem plaguing Japan's banking sector.

Volume was virtually unchanged at an estimated 362m shares, against 360m. The Topix index of all first-section stocks shed 2.17 to 1,570.61 and the capital weighted Nikkei 300 was off 0.21 at 295.55. Declines led advances by 706 to 371 with 173 unchanged.

In London, the ISE/Nikkei 50 index rose 1.52 to 1455.58.

Carmakers benefited from Wednesday's release of greatly improved figures for October domestic vehicle production and sales. Honda, which reported a 40 per cent year-on-year increase in domestic production and 30 per cent increase in sales, advanced Y90 to Y3,080. Toyota, which also turned in healthy production and sales figures, added Y20 to Y2,970 and Nissan Y11 to Y796.

Blue chip electricals and high-technology issues were mixed, however. Sony fell *Y20 to Y7,080 and Pioneer* Electronic shed Y20 to Y2,370, while Hitachi advanced Y30 to Y1,050 and selective *buying drove up* TDK, which gained Y140 to Y7,020 on Tuesday's announcement of record first-half earnings; but Tokyo Electric Power fell Y30 to Y2,570 on Wednesday's 51 per cent decline in interim recurring profits.

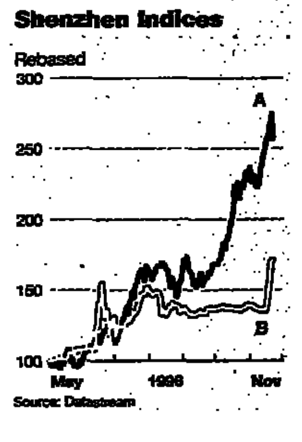
While leading banks and securities houses gained ground, some smaller regional banks fell on concern triggered by the Hanwa Bank collapse. Tokuyo City Bank fell Y20 to Y218, Kyushu Bank Y5 to Y435 and Hanshin Bank Y22 to Y413.

In Osaka, the OSE suspended trading in shares of Hanwa Bank and the OSE average fell 34.67 to 21,522.45 in volume of 50.64m shares.

BANGKOK lost ground as negotiations continued between coalition partners over cabinet appointments. The SET index gave up 1.2 per cent, ending down 11.08 at 955.35. The New Aspiration Party, which won the most seats in Sunday's general election, was in talks with five coalition partners over cabinet seats. The talks were said to be bogged down over economic posts.

Banks lost ground, Thai Farmers shedding Bt3 to Bt204 and Bangkok Bank Bt2 to Bt202. TelecomAsia shed Bt4 to Bt55.

Shenzhen indices



SHANGHAI and SHENZHEN again saw wild swings on another day of rumour driven trade. Shanghai's local currency A index plunged 7.5 per cent to 988.189 and Shenzhen's As dropped 6.6 per cent to 430.50 on expectations of government action to curb excessive speculation, which had led to a sharp outperformance by the A shares in recent months.

The Bs, meanwhile, continued their powerful rally yesterday on rumours of government action to support the markets. Shanghai's index rose 2.1 per cent to 50.712 while Shenzhen finished 1.2 per cent ahead at 112.64, after trading up almost 7 per cent around midsession.

JAKARTA, hit by a sharp *fall in the index heavyweight*, Telkom, closed with the composite index off 3.77 at 602.99. Telkom fell Rp50 to Rp3,800 in 4.6m shares.

Voksel Electric was the most active stock, trading 9.4m shares and gaining Rp25 to Rp1,050 after a high of Rp1,200. Late in the session the company confirmed that it was in merger talks.

Aneka Kimia was also actively traded on reports that it planned joint ventures with foreign partners. Shares in the chemical group surged 29 per cent, rising Rp325 to Rp1,450.

HONG KONG turned back after three consecutive record closes as the Hang Seng index ran into resistance at 13,200 points.

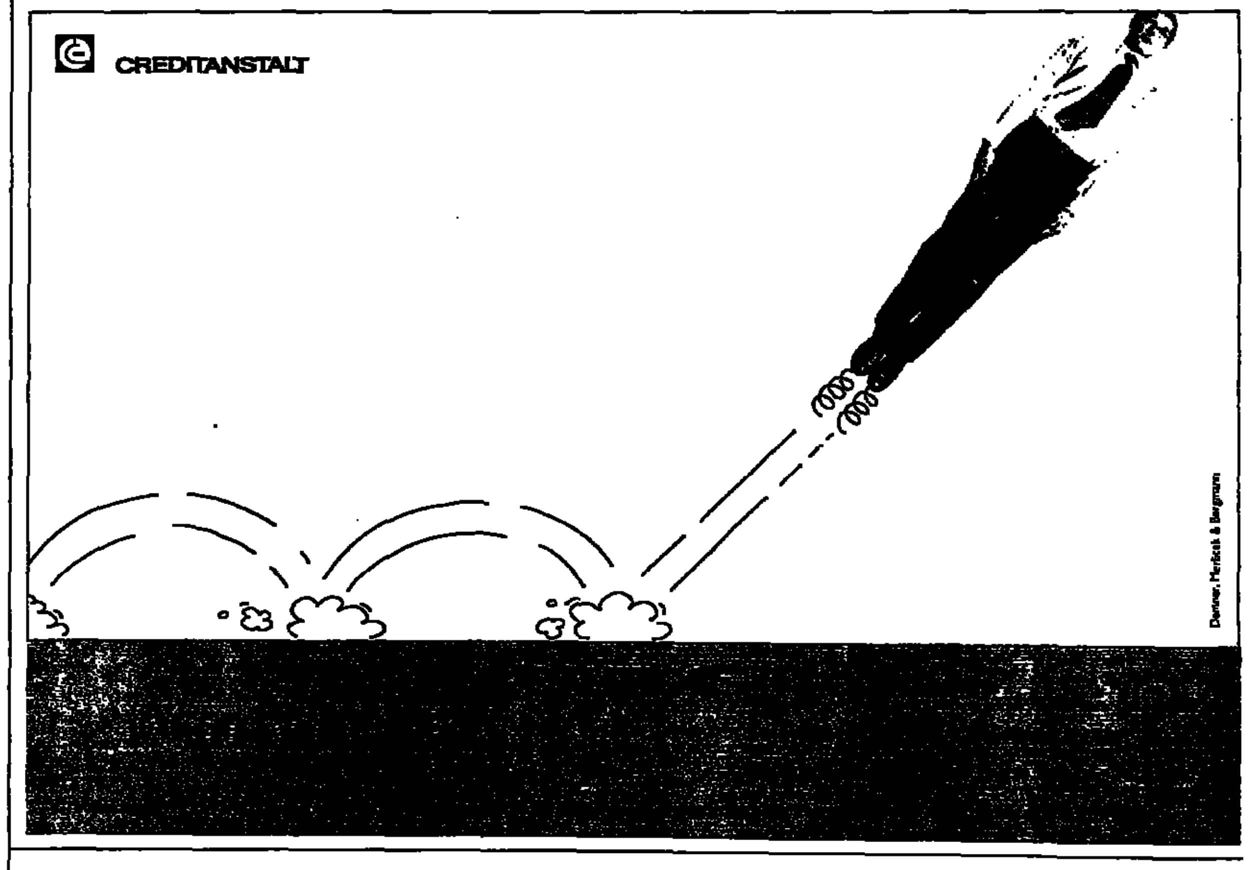
The index closed 67.60 lower at 13,099.56 after a record *intra-day high* of 13,237.73 and a low of 13,028.03. Turnover remained heavy at HK$10.7bn.

Banks were hard hit with HSBC Holdings closing HK$1.50 lower at HK$157.00 and Hang Seng Bank off HK$1.75 at HK$90.75.

SINGAPORE turned its attention to property stocks, notably Hongkong Land, as the Straits Times Industrial index closed up 3.41 at 2,197.69.

Hongkong Land rose 31 cents to $2.78, as its inclusion in the newly launched Business Times-Singapore Regional Index helped attract foreign buyers.

BOMBAY was lower as *disappointing first half* results continued to pour in and the BSE-30 index finished 19.20 lower at 3,043.30. *Tata Chemicals dropped* Rs19.50 or 9.8 per cent to Rs180.50 on results.



FT/S&P ACTUARIES WORLD INDICES

The FT/S&P Actuaries World Indices are owned by FTSE International Limited, Goldman, Sachs & Co. and Standard & Poor's. The indices are compiled by FTSE International and Standard & Poor's in conjunction with the Faculty of Actuaries and the Institute of Actuaries. NatWest Securities Ltd. was a co-founder of the indices.

NATIONAL AND REGIONAL MARKETS — Figures in parentheses show number of lines of stock	WEDNESDAY NOVEMBER 20 1996 — US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg on day	Gross Div. Yield	TUESDAY NOVEMBER 19 1996 — US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	DOLLAR INDEX — 52 week High	52 week Low	Year ago (approx)
Australia (78)	219.30	2.2	193.85	154.11	170.76	182.39	1.4	4.19	214.65	189.95	151.09	167.70	179.81	219.30	163.46	163.46
Austria (24)	184.78	0.4	163.33	129.85	143.88	143.81	0.0	1.99	184.08	162.90	129.58	143.82	143.75	195.04	166.36	170.47
Belgium (27)	228.80	0.0	202.24	160.79	178.16	174.14	-0.3	3.83	228.74	202.42	161.02	178.71	174.71	229.11	197.59	200.88
Brazil (28)	179.09	-0.4	158.30	125.85	139.44	339.76	-0.3	1.80	179.77	159.09	126.55	140.45	340.77	189.70	129.15	129.15
Canada (116)	194.69	1.2	172.09	136.82	151.60	189.20	1.2	1.91	192.37	170.24	135.41	150.30	186.92	194.69	144.35	145.77
Denmark (30)	340.41	0.6	300.89	239.21	265.05	266.36	0.2	1.73	338.50	299.56	238.28	264.47	265.74	340.41	276.89	281.68
Finland (24)	239.31	1.2	211.53	168.17	186.33	226.83	0.9	2.21	236.35	209.16	166.37	184.66	224.70	239.34	171.73	217.25
France (93)	211.77	0.2	187.18	148.81	164.89	168.27	-0.2	2.90	211.43	187.10	148.83	165.19	168.57	211.77	167.70	181.54
Germany (59)	188.55	0.7	166.67	132.50	146.81	146.81	0.3	1.66	187.30	165.75	131.84	146.33	146.33	188.59	159.60	161.26
Hong Kong (59)	497.44	1.1	439.69	349.56	387.32	491.81	1.1	3.13	492.19	435.57	346.46	384.54	486.80	497.44	357.56	357.56
Indonesia (27)	221.11	-1.4	185.44	155.38	172.16	317.20	-1.4	1.62	224.18	198.38	157.80	175.15	321.80	-	-	-
Ireland (16)	318.27	-0.2	281.33	223.66	247.82	266.48	-0.5	3.43	318.80	282.12	224.41	249.07	267.66	319.32	249.80	258.59
Italy (58)	83.53	1.0	73.84	58.70	65.04	93.42	0.0	2.22	82.66	73.17	58.20	64.58	93.46	84.53	67.22	70.23
Japan (480)	143.25	0.9	126.62	100.66	111.54	100.66	0.8	0.76	141.94	125.61	99.91	110.89	99.91	164.68	137.62	145.51
Malaysia (107)	589.95	0.6	521.47	414.57	459.38	572.57	0.5	1.10	586.27	518.82	412.69	458.05	569.50	589.95	428.31	428.31
Mexico (27)	1209.27	0.1	1068.89	849.78	941.58	10431.80	0.0	1.06	1207.74	1068.79	850.15	943.59	10431.80	1325.65	878.35	878.35
Netherland (19)	324.50	-0.1	286.83	228.03	252.67	248.80	-0.5	2.97	324.93	287.54	228.72	253.86	249.99	325.84	260.87	260.87
New Zealand (15)	92.42	0.1	81.69	64.94	71.96	69.10	0.4	4.02	92.32	81.70	64.98	72.13	68.82	94.35	75.94	78.45
Norway (35)	282.21	0.7	249.45	198.31	219.73	241.80	0.4	2.03	280.15	247.92	197.21	218.88	240.89	282.21	222.24	226.56
Philippines (22)	198.15	0.3	175.14	139.24	154.28	259.11	0.3	0.61	197.55	174.82	139.06	154.34	258.43	-	-	-
Singapore (43)	414.55	1.5	366.43	291.31	322.78	267.74	1.6	1.01	408.38	361.40	287.47	319.06	263.47	465.21	369.24	369.24
South Africa (44)	329.11	-1.3	290.90	231.27	256.25	335.57	-0.6	2.32	333.34	294.99	234.65	260.44	337.74	437.76	314.20	376.66
Spain (37)	198.13	0.6	175.13	139.23	154.27	189.06	0.2	3.16	196.95	174.29	138.64	153.88	188.70	198.13	153.59	153.59
Sweden (48)	406.71	-0.1	359.49	285.80	316.68	397.59	-0.3	2.14	407.14	360.30	286.59	318.09	398.88	409.12	294.19	316.23
Switzerland (37)	250.23	-0.1	221.18	175.84	194.83	196.38	-0.2	1.51	250.39	221.58	176.25	195.62	196.85	254.34	219.29	228.12
Thailand (45)	121.63	0.1	107.51	85.47	94.71	119.93	0.0	2.86	121.53	107.55	85.55	94.95	119.89	193.95	112.17	147.63
United Kingdom (213)	267.46	-0.2	236.41	187.95	208.25	236.41	-0.3	4.02	268.09	237.24	188.71	209.45	237.24	268.09	222.43	226.10
USA (624)	302.41	0.2	267.30	212.51	235.47	302.41	0.2	1.86	301.67	266.97	212.35	235.69	301.67	302.41	243.34	244.77
Americas (795)	276.84	0.3	244.70	194.54	215.56	232.70	0.3	1.97	276.08	244.30	194.32	215.68	232.04	276.84	222.53	222.82
Europe (720)	232.86	0.1	205.82	163.63	181.31	196.22	-0.2	2.84	232.62	205.86	163.75	181.74	196.58	232.86	194.31	197.10
Nordic (137)	350.10	0.3	309.45	246.02	272.60	299.21	0.0	2.08	349.16	308.99	245.76	272.79	299.19	350.64	261.13	282.02
Pacific Basin (876)	160.50	1.0	141.87	112.79	124.97	114.35	0.8	1.22	158.94	140.65	111.86	124.18	113.44	177.01	153.87	154.80
Euro-Pacific (1596)	190.53	0.5	168.41	133.89	148.35	145.21	0.3	2.10	189.52	167.72	133.41	148.07	144.77	190.57	172.18	172.33
North America (740)	296.04	0.3	261.68	208.03	230.51	295.02	0.3	1.98	295.18	261.22	207.78	230.62	294.16	296.04	237.55	238.65
Europe Ex. UK (507)	209.10	0.3	184.82	146.94	162.81	171.58	-0.1	2.33	208.48	184.50	146.75	162.88	171.70	209.10	174.81	177.10
Pacific Ex. Japan (396)	311.47	1.2	275.31	218.88	242.52	268.05	1.0	2.78	307.86	272.44	216.71	240.53	265.43	311.47	245.02	245.02
World Ex. US (1811)	192.62	0.5	170.26	135.36	149.98	150.65	0.3	2.09	191.63	169.58	134.89	149.72	150.17	192.62	173.24	173.26
World Ex. UK (2222)	223.20	0.5	197.29	156.85	173.79	199.90	0.4	1.83	222.16	196.61	156.38	173.57	199.23	223.20	192.21	192.21
World Ex. Japan (1955)	271.32	0.3	239.82	190.66	211.26	253.84	0.2	2.35	270.59	239.46	190.47	211.41	253.40	271.32	222.93	222.93
The World Index (2435)	227.01	0.4	200.66	159.53	176.76	194.24	0.3	2.04	226.11	200.10	159.17	176.88	193.69	227.01	195.17	195.17

DERIVATIVES

As risk diminishes, competition rises

Customer demand has increased substantially and the focus now is on developing new products, says Richard Lapper

As exotic financial instruments become more widely accepted by business and standards of risk management improve, the daily preoccupations of derivatives dealers are becoming routine. Worries about competition and shrinking margins now seem more pressing than the fears of tough new regulations which overshadowed the industry in the wake of a string of corporate disasters between 1993 and 1995.

Bankers also accept that the high margins of the early 1990s are gone and that the economics of dealing in standard derivatives are increasingly resembling the foreign exchange or bond business. "We have to recognise that commoditisation of this business is inevitable," says Julian Simmonds, head of global derivatives at Citibank.

Competition is increasing despite a rise in volume in most sectors of the over-the-counter (between banks and their corporate customers) and exchange-traded markets. Lower interest rates and a fall in volatility, especially in currency markets, has dampened growth in some areas – for example, the volume of eurodollar contracts traded at the Chicago Mercantile Exchange (CME) has declined sharply over the past year. However, elsewhere volumes have risen, with Liffe, seeing its busiest ever trading month in October, when uncertainty in the European bond markets triggered heavy demand for German and Italian bond and money market contracts.

In the OTC market, the volume of currency and interest rate swaps and interest rate options outstanding rose by more than 50 per cent in 1995, according to the New York-based International Swaps and Derivatives Association (Isda), whose figures are based on aggregate data submitted by Isda's 80 members.

In the first six months of this year growth has continued, with the volume of the same new OTC contracts rising by 20.2 per cent to $8,310bn in notional principal amount, according to Isda. "Despite all the negative press reports, customer demand has kept on going up," says Paul Spraos, the publisher of Swaps Monitor, a New York-based newsletter.

In the light of these trends, arguments that the market for interest rate and currency derivatives had become saturated appear overblown. "There are many end-users who are reluctant to get involved and the number of customers is rising," says Arun Aggarval, partner in capital markets and treasury at Price Waterhouse in London.

Indeed, this growth in activity is one of the reasons attracting new capital into the industry. A number of European banks have stepped up their presence in the market, bidding up the price of specialist personnel. Dealers in the OTC market are also beginning to make more effective use of their existing capital by using collateral and netting agreements more widely, in part because of efforts to improve credit risk management in the wake of the disasters.

"We are seeing much more concentration on counterparty risk," says Richard Bolchover, a director with Close Fund Management in London. "There is much more demand for collateral in the OTC market and margining is becoming more common." Mr Spraos says that "dealers need to set aside less capital. They are getting more efficient at handling the credit risks associated with swaps."

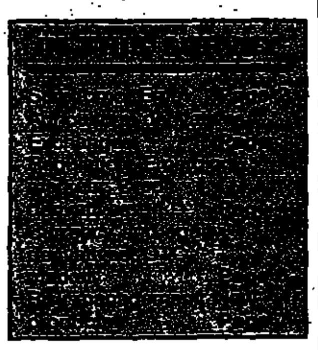
Partly as a result of this the margins from standard swap and interest rate options business have been slashed. James Orbell, director at Credit Suisse Financial Products, says in the D-Mark sector – where the best swap opportunities have been available this year – dealing margins have fallen to as little as two basis points compared with five basis points two years ago.

"In the US competition has proceeded to such an extent that you can lose a deal by quoting a tenth of a basis point too high," adds Mr Orbell. Indeed, in a recent survey Swaps Monitor found that bid-offer spreads on US dollar interest rate swaps had fallen from four basis points in 1991 to about one basis point. In addition, swap maturities have become longer. "Eighteen months ago it was difficult to strike a deal with a maturity beyond 10 years," says Mr Orbell. "Now it is not uncommon to see maturities of between 20 and 30 years."

Mr Simmonds says that "a significant number of customers are dealing at mid-point. A year ago banks could cover the costs of hedging their own positions. Now they can't. There is no inherent profitability if you intend to exit the trade immediately."

In response to these pressures dealers are focusing some efforts on new product development, where higher margins can sometimes be obtained. The recent growth in equity derivatives business has been encouraging. Bankers are hopeful that more institutional investors can be attracted to use products that offer protection against a downward move in share prices. Already equity derivatives have been used to entice private shareholders to participate in European new issues.

There is optimism, too, about possibilities in the emerging markets, where derivative structures are being used to allow investors to circumvent restrictive ownership rules or difficult custody or settlement arrangements, or to operate more easily in countries –



such as Russia and China – where currencies are not freely convertible.

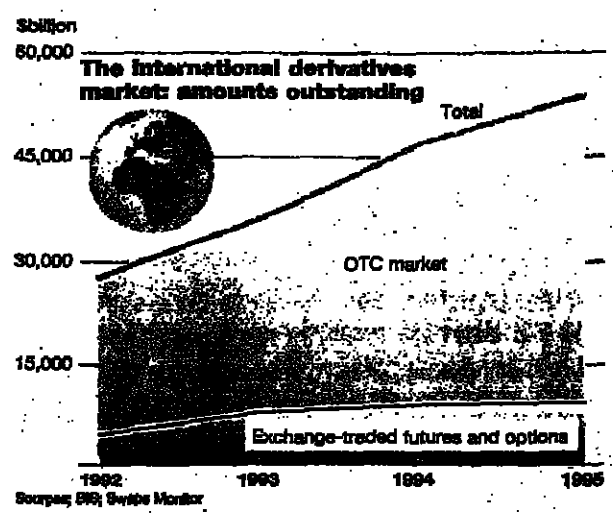
Looking further ahead, there are hopes for the development of insurance and energy derivatives, but the most promising innovation has been development of credit derivatives which offer investors a way to take advantage of the differences in credit pricing in the bond and loan markets. A survey this summer by Risk, a specialist publication, showed that the notional principal amount of credit derivatives outstanding was $39.2bn.

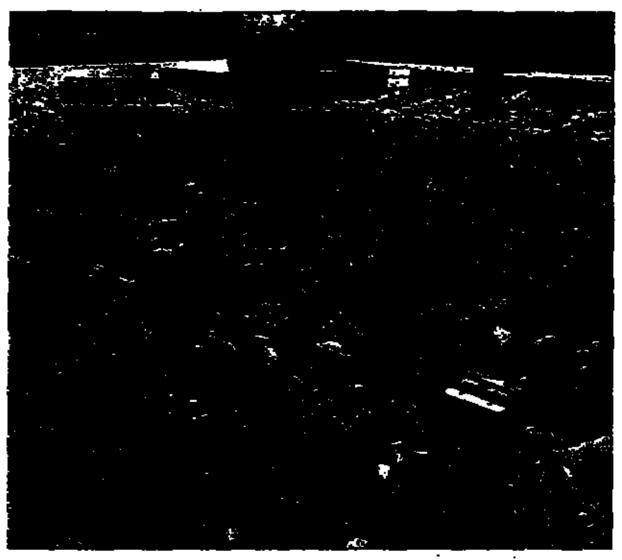
However, at the same time dealers are beginning to recognise that the decline in margins on standard products is inevitable. Therefore, they must look increasingly at the profitability of their underlying swaps and options business as a function of their broader business relationship with corporate customers. In this sense, standard swaps and options are services that banks must offer big companies if they are to have any hope of winning the bigger fees available from arranging the more complex derivatives deals which meet the particular corporate needs. For example, a bank might construct a hedge which protects against a fall in the oil price as well as a rise in interest rates. The introduction of more sophisticated risk management computer technology – again in response to the derivatives disasters – has enhanced the capacity of banks to develop this type of product. So-called value-at-risk computer models allow banks to measure more accurately the correlation between different market risks. "Derivatives are becoming less opportunistic and sales-led," says Steve Smith, director of equity derivatives at SBC Warburg. "They are becoming part of an array of services that a bank provides to its clients."

Mr Smith sees the industry's improved ability to manage and transfer risk more effectively as part of this process but warns that risk has not disappeared.

Indeed, although the international regulatory framework has been improved in the 20 months since the Barings disaster, the Sumitomo affair was a reminder of its shortcomings. Some observers believe that the scale of competition in the industry is in fact increasing potential risks. "Things have got safer because banks are investing heavily in value-at-risk models, but you could have an increasing risk as a result of pressure on margins and profitability," says Mr Aggarval.

And risks could arise from some unexpected sources. For example, there are fears that cross-currency swaps denominated in currencies due to disappear after the launch of European economic and monetary union could give rise to potential legal problems, and possibly result in losses for the banks which have traded them.





Liffe (top) has set its sights on displacing the Chicago Board of Trade (bottom left) from the world No 1 spot (see pages 2 and 3). Meanwhile, the London Metal Exchange (above) faces difficult questions after the Sumitomo affair (Page 2)

■ **The Sumitomo affair:** by Neil Wilson

Questions of management

Maverick trader Yasuo Hamanaka incurred losses now estimated to total $2.6bn

Yasuo Hamanaka, the former copper trader at Sumitomo Corporation, was well aware of the enormous influence he exerted in the copper market. He was also aware of allegations that he was manipulating prices. "There are many rumours about our operations," he said in an interview with Futures & Options World in 1992. "But it is not possible to control price trends. Nobody can do it."

Mr Hamanaka was, of course, correct. But it seems that he learned this lesson the hard way – incurring losses for Sumitomo estimated to be $2.6bn. The former star trader is facing charges of forgery in Tokyo.

In the wake of Sumitomo's revelations, all sorts of questions have been asked about how such enormous losses occurred. Much attention has focused on Sumitomo and its management controls, such as how Mr Hamanaka was allowed to build his massive positions, and how much, if anything, was known by other company officials.

The Sumitomo affair is also posing difficult questions for the London Metal Exchange, the home of copper futures trading, as well as for the over-the-counter market in commodity derivatives where Mr Hamanaka appears to have done much of his dealings.

The LME faces two main questions: Did the exchange do enough to exercise its powers to investigate Mr Hamanaka? And does LME need any new powers or other rule changes to prevent market manipulation?

On the first question, evidence so far is mixed. Critics point out that LME officials were first made aware of some suspicious-looking dealings involving Mr Hamanaka a long time ago. In November 1991, US-based broker David Threlkeld first sent a letter to LME chief executive David King indicating that Mr Hamanaka had sought confirmation for a fictitious copper trade.

However, Mr King has vigorously defended the way in which LME handled the issue. Mr King says he acted immediately to bring the matter to the attention of the UK Securities and Investments Board, and called a meeting between himself, a representative from SIB, Mr Hamanaka and another Sumitomo official. The SIB appears to have accepted Mr Hamanaka's explanation that the trade in question was being revised for tax reasons and that this was acceptable under Japanese law. Whether the LME should or could have done more, however, remains open to question. It probably did not help that Mr Threlkeld was regarded as something of a maverick, if not an outcast, within the tight-knit global metals trading community. At the same time, other brokers and dealers were patently very keen to win some of the business Mr Hamanaka was putting through the markets.

How lucrative this business was would seem to be confirmed by the impressive profits of Winchester Commodities, the UK-based introducing broker that handled a large chunk of Sumitomo's dealings at the LME. Winchester founders Charles Vincent and Ashley Levett, who have since stepped down from day-to-day management of the firm, paid themselves bonuses of £15m each for 1994 alone.

Winchester was not a member of the LME, and the Sumitomo transactions that it had handled were cleared at the exchange by Crédit Lyonnais Rouse. After a copper market squeeze in 1993 CLR apologised to the LME and paid £100,000 towards the exchange's costs. Many brokers saw this as a "fine."

But CLR maintains there was nothing untoward about its relationship with Mr Hamanaka. CLR has said it is "satisfied that all credit lines and contractual documentation were properly processed and authorised by officials designated by Sumitomo to have such powers" and that such authority was "not exclusively in the hands of Mr Hamanaka".

Mr Hamanaka has said that he dealt with 10 to 12 LME ring dealers and, through his lawyer, has admitted to forging signatures to gain control over certain Sumitomo accounts with Merrill Lynch. Rudolf Wolff, another ring dealer owned by Canadian natural resources group Noranda, has also suspended three senior executives in Tokyo pending an investigation of dealings with Mr Hamanaka.

Yasuo Hamanaka: learned lessons the hard way

To some critics, the Sumitomo affair – together with the episode in 1993 when a "rogue" trader cost Codelco of Chile losses of $170m – seems symptomatic of a deeper malaise at the LME. Some critics still see the LME as a kind of "insiders club" run for the benefit of members. On the other hand, the LME board played a crucial role in limiting Mr Hamanaka's attempts to "squeeze" the copper market.

At least three times (in December 1991, November 1993 and May 1996) the LME imposed limits on the backwardation in copper prices, limiting the amount by which current prices could exceed those for future delivery.

While it was apparent that the copper market was being squeezed, it took much longer to confirm Mr Hamanaka was the prime mover. Here again critics say the exchange was slow to act. Some claim that it was only after the LME opened copper warehouses in the US in 1995 – sparking attention from the Commodity Futures Trading Commission to a build-up of stocks in Long Beach – that the LME mounted a serious inquiry.

The SIB launched a review of the metals markets in July and the consultation process it started produced many suggestions about how LME might tighten its rules.

One idea, promoted particularly by some in the US futures industry, was that the LME should ban members from offering credit lines to support customer trading, which would bring it into line with most other futures markets. But replies to the SIB show that such a change would be unpopular with virtually all LME users.

Moreover, there is little to suggest that there is anything much wrong with the LME's financial integrity. In the wake of Sumitomo's announcement last June, the London Clearing House (which guarantees the LME trades) made some massive extra margin calls. At one point the LCH held more than £3.5bn to support copper positions alone, almost half of the total funds held in margins for all the London futures markets combined. The fact is that the market came up with the funds and no member defaulted.

Other possible changes may affect market surveillance and transparency. Chairman Raj Bagri is hoping, for example, to have changes made to the UK Financial Services Act so that the LME would have the power to control any organisation that used its markets. Mr Bagri claimed that much of Sumitomo's trading had occurred in "over-the-counter" instruments, outside the LME's remit.

This interpretation was supported by subsequent revelations that Sumitomo had arranged at least two large and complex copper swaps with US banks J P Morgan and Chase Manhattan, generating up to $900m in up-front loans to support its trading activities.

But it is hard to see how the LME could be given effective power over the OTC market. Some critics suggest that the monitoring of OTC transactions calls instead for a greater role for the regulators, in the UK, the US, Japan and elsewhere.

■ **Emu:** by Samer Iskandar

Exchanges go into battle

Experts agree that Emu will lead eventually to the decline of some products

The recent quasi-simultaneous decision by the London and Frankfurt derivatives exchanges – Liffe and the Deutsche Terminböse (DTB) – to launch identical futures contracts on one-month interest rates on the D-Mark will be remembered as the opening salvo of a fierce battle for the dominance of the market for derivatives denominated in the euro – the planned European single currency.

These markets will not be fighting it alone: Matif, the French futures and options exchange, is likely to prove a fierce opponent in a battle that could potentially lead to some European exchanges disappearing – or at least being relegated to the sidelines.

It is too early to predict the effects of Emu on derivatives exchanges, but experts agree that it will lead to the decline of some products.

While futures and options on individual shares and share indices look set to survive Emu unaffected, a majority of products linked to short-term interest rates will undoubtedly suffer severe falls in trading volumes.

"The shorter the maturity of the product, the more it will suffer," Jörg Franke, a member of Deutsche Börse's executive board, recently predicted.

He explained that futures on very short-term rates would be condemned as a result of the disappearance of the underlying currencies: when the D-Mark and the French franc, for example, are both replaced by the euro, Matif's Pibor and DTB's euromark futures will automatically become identical products.

Longer-term instruments such as the notional and bund futures – both of them contracts on 8½ to 10½-year bonds – have better chances of surviving. They will continue to fulfil different needs, because the underlying instruments – French and German government bonds – will retain separate identities.

This is due to the fact that although the bonds will become denominated in the same currency, the euro, they will retain different characteristics such as credit quality, liquidity and supply schedules.

"A euro future would not be a perfect hedge against any bond position in a single government, but only against a basket of cash government bonds", said analysts at Lehman Brothers in a recent research report.

A majority of analysts agree on the following likely scenario for the listed derivatives landscape after 2002:

■ One and three-month *interest rate futures*: one contract for each maturity, denominated in the euro, will in all likelihood have replaced existing products (Pibor, euromark, etc.) for all currencies participating in Emu.

■ Intermediate (3 to 5 years), long-term (7 to 10 years) and very long-term (20 to 30 years) bond futures: existing contracts will remain, but most will suffer falls in liquidity as one or two products dominate.

Opinions are more divided regarding the transition period between 1999 and 2002 – during which national currencies will co-exist with the euro.

Phil Rivett, chairman of the capital markets group at Coopers & Lybrand, believes that by 1999 most exchanges will have followed Matif's lead and issued products denominated in euros to trade in parallel with existing contracts denominated in national currencies. "Some of them are bound to fail", Mr Rivett says. "There are too many exchanges competing" for a declining number of contracts. As some contracts disappear and "liquidity is transferred on to other products", he adds, "competitive pressures will drive trading costs down, to the benefit of end users".

This view is shared by Mark Fox, chief European strategist at Lehman Brothers. "A strong case can be made for standardisation of the current futures markets", he said recently. "In the smaller bond markets, a merger could be justified."

Amid the consensus that markets will converge towards a limited number of benchmark contracts, the opinion of Julian Jessop, chief European economist at Nikko in London, stands out. He believes that over the transition period, there will still be demand for contracts denominated in national currencies, even in countries committed to Emu.

"The chances of one currency leaving the system between 1999 and 2002 are small, but not negligible," he says. "After all, other fixed exchange rate systems – such as Bretton Woods – have broken up before." Mr Jessop believes some investors will always want products that allow them to hedge against such occurrences. "Liquidity will be limited," he admits, "which could possibly drive some of these contracts on the OTC market."

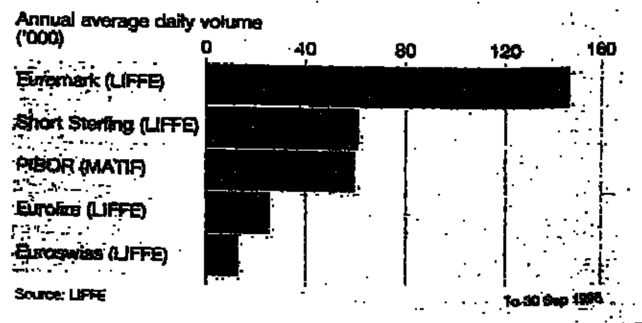
Meanwhile, preparations point to more of an "all-or-nothing" scenario, with each exchange seeking outright domination on euro futures.

Liffe was the first to take public measures when it announced last spring that its products expiring after the start of 1999 will settle in euros (provided the currency in which they are denominated is committed to Emu), but the move was closely followed by similar decisions by competing markets. Matif, meanwhile, took a further step when it announced it was creating a range of products in euros covering all maturities of the yield curve.

And DTB has made it clear, on several occasions, that it was relying on its electronic trading system – as opposed to other markets' open outcry – to gain market share by offering the lowest trading costs.

Which strategy will prove most effective is far from certain. The only certainty, according to Mr Rivett, is that "the market will decide."

The top short-term interest rate futures in Europe



■ **Agricultural derivatives:** by Deborah Hargreaves

Future looks brighter for EU farm futures

The CAP reforms suggest that there may be a huge potential for growth in Europe

The dismantling of the Common Agricultural Policy is being viewed by futures exchanges around the world as a golden opportunity to move into the European market for farm derivatives. European Union farmers and food companies are taking more of an interest in hedging as price controls are relaxed and the market is slowly opened to free trade.

It is far too soon to talk of free markets with regard to EU agricultural commodities. Some relaxation of price controls has been implemented as a result of the 1992 CAP reforms, but this is a small step in a highly regulated market.

"Reading what will happen to the CAP is the most difficult part of the equation in planning new products," said Clive Furness, director of commodity products at the London International Financial and Options Exchange.

US futures experts believe there is huge potential for growth in agricultural futures contracts in Europe. Paul Knapp, president of Chicago-based Catalyst Institute, a research organisation specialising in markets and financial institutions, said the US was far ahead of Europe.

Farm-related futures in the US consist of 37 contracts on 18 commodities, traded on seven exchanges. By comparison, the four European exchanges – in London, Paris, Amsterdam and the citrus futures exchange in Valencia – trade 18 contracts on nine commodities. "The US has twice the number of contracts, on twice the number of commodities, and does 17 times the trading volume," Mr Knapp said recently.

Liffe trades the most successful European wheat futures contract following its merger with the London Commodity Exchange in September and is looking to develop new contracts in advance of any loosening of the CAP. Other exchanges such as Paris's Matif are jostling to position themselves for growth in the European agricultural derivatives market.

Wheat futures has been listed on the LCE since 1924, but the contract has endured long periods of inactivity when grain prices have been fixed.

In the past couple of years, the 1992 CAP reforms have reduced guaranteed prices for wheat and channelled more funds into direct payments to farmers. This has led to more fluctuations in the market price of wheat in Europe. The LCE's contract has become more active again and trades an average of 400 lots a day.

The contract's volume is still dwarfed by the busier financial contracts and even other commodities such as coffee, but it has traded up to 1,000 lots on a busy day. Last year contract volume accounted for twice the amount of feed wheat produced in Europe.

"We are getting more interest from Europe as the contract is a good correlation with the Rouen spot market," said Mr Furness. Liffe is considering whether the contract is suitable for attracting a wider group of European users or if it needs modifications.

"We are asking ourselves whether we are already trading the European wheat futures contract and do we just need to broaden our marketing and education efforts?" said Mr Furness.

In July, Matif launched its own wheat futures contract, following changes to French law which were passed in June to allow speculation in wheat for the first time since 1936. The exchange which is better known for its financial products, developed its first new agricultural derivatives product two years ago and launched rapeseed futures in October 1994. Matif argues that there are a number of market users who are interested in both rapeseed and wheat and also that France's position as an important grain producer will give it a competitive edge.

Matif launched rapeseed futures in October 1994

The exchange also trades futures contracts in white sugar and potatoes after it merged with another exchange in 1988.

But competition for the leading grain futures product is growing. The Netherlands has launched its own wheat futures contract. The Chicago Board of Trade, the world's largest futures exchange, is advising markets in Warsaw, the Ukraine, some Asian countries and even Turkey on starting up new contracts.

Liffe and the CBOT are discussing a trading link for their financial futures contracts and this could be extended to the agricultural complex once it is up and running. This would give Liffe contracts access to the vast pool of speculative funds in Chicago.

Mr Furness will be presenting a development plan for commodity products to the Liffe board on November 19, laying out plans to increase volume in existing contracts and ideas for new developments.

The exchange is considering plans for olive oil futures and the creation of a soft and agricultural commodities index based on a weighted basket of futures contracts. Mr Furness is also looking at futures on tea and rubber which were previously listed on the exchange, but have been discontinued.

"It is impossible to know what is viable until we do the research, but we are giving due consideration to a number of projects," Mr Furness said.

US futures experts recently urged European commodity exchanges to make strategic alliances and promote new contracts to give farmers in the EU the risk management tools they need as governments withdraw financial support for agriculture.

Lamon Rutten, responsible for risk management policies at the UN Conference on Trade and Development, said the next round of world trade reforms and the eastward enlargement of the EU meant that "within a decade, (farmers) will have to learn how to stand and walk on their own".

In the new environment, farmers are going to need all the risk management help they can get.

■ **Exchanges:** by Laurie Morse

Liffe sets its sights on the No 1 spot

In 2000, there will be just one dominant futures exchange in Europe

European futures exchange executives have only to look at their money-market contracts to see their own future these days – the European economic and monetary union (Emu) may not arrive until January, 1999, but for the derivatives industry, that future is now.

Yield curves for Matif's Pibor (Paris interbank rate) contract for delivery in March, 1999, and Liffe's (London International Financial Futures Exchange) euromark contract for the same expiration, are showing a rather neat convergence, a factor made more significant by the fact that both will settle in euros if the currency union remains on track.

The converging charts for French and German money markets show that traders who must bet their money on the future are counting on monetary union. A single currency in Europe almost certainly means consolidation in the derivatives business worldwide, and the futures exchanges will not be excluded from this trend.

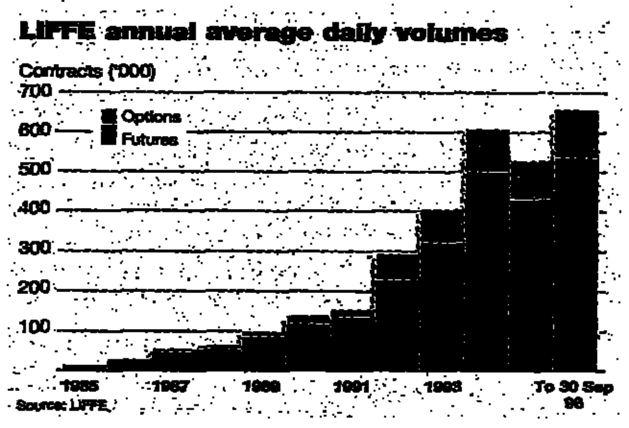
At the end of the century, just four years hence, there will be just one dominant futures exchange in Europe. The remainder will be relegated to trading equity derivatives and a few low-volume long-term government debt contracts, most likely under the umbrella of their domestic bourse. The chief executives at Matif, in Paris, the DTB (Deutsche Terminböse) in Germany, and Liffe in London are well aware of this.

"We are already competing for 1999," says Gerard Pfauwadel, chief executive of the Matif. "The battle does not fall in 1999 – the battle is now, or more specifically, next year."

The Liffe, positioned as it is in the midst of the busiest currency and money markets in the world, straddling the globe's three major time zones, is likely to be the victor in the battle for European futures trading post-Emu. Already the largest futures exchange in Europe, the Liffe is making plans for growth far beyond 1999.

This year, while US exchanges are struggling to keep business level with last year's disappointing results, Liffe's volume is up 24 per cent through October 31, at 140.9m contracts. That is still behind the 189m traded at the Chicago Board of Trade, the world's busiest futures exchange, for the same period, but the gap is beginning to narrow.

LIFFE annual average daily volumes



Daniel Hodson, Liffe's chief executive, made it quite clear recently that he is gunning for the top. "I think I can say that Liffe will be the world's largest futures exchange post-Emu." Liffe has plotted a strategy that includes dominance in Europe and links to important exchanges in Asia and America.

It already has an electronic link with Tokyo for Japanese government bonds, and next May intends to open an open-outcry link with the CBOT that will put US Treasury bond futures trading on the Liffe floor during European business hours. Furthermore, with its London Commodity Exchange subsidiary, Liffe is positioned to take advantage of the projected growth in grain and soft commodities trading in the European time zone.

The Investment Services Directive, effective this year, is also expected to put more trading screens from foreign exchanges into London. This, Liffe executives say, will simply serve to consolidate London as a global derivatives trading centre.

Liffe's drive toward hegemony has not escaped the leadership at Chicago's two big futures exchanges. "Liffe's growth is awesome, and it has a tremendous time zone advantage," says Patrick Arbor, chairman of the Chicago Board of Trade. "London's unified clearing house reduces expenses (for member firms) and the benign regulatory environment in the UK is another advantage."

However, Mr Arbor, and his counterpart at the Chicago Mercantile Exchange, John "Jack" Sandner, do not waste much time these days looking over their shoulders at the Liffe. A slowdown in Chicago trading volume, and intense pressure by their institutional memberships to cut costs has caused them to examine their traditional businesses and their budgets.

The CME stands to lose what is left of its foreign currency futures volume (26.9m contracts so far this year) to the Emu. Even more worrying, its Eurodollar futures contract, which represents more than 60 per cent of the CME's business, is skidding, with volume down 27 per cent for the year to October 31. The CME's only foreign linkage, with the Singapore International Monetary Exchange, is built on eurodollar trading.

Industry analysts say that after more than a decade as the cheapest and most liquid venue to trade eurodollars, the CME futures contract now has serious competition from interbank contracts.

Recognising the convergence between its own contract and off exchange instruments, the CME is preparing next year to open a subsidiary, technically a sort of bank, to act as a custodian for collateral used to back interbank swaps contracts.

With customers such as Merrill Lynch and Bankers Trust already signed on, CME executives believe they have hedged their future to serve bank interest rate traders either through custody arrangements or through the exchange's listed products.

The CBOT is also looking to the cash, or bank, markets for growth. Sometime next year it expects to open a subsidiary called Chicago Board Brokerage, which will allow exchange members direct access to the cash US Treasury markets, and will include some collateral management services.

The link with Liffe is a key component in the CBOT's attempts to internationalise. However, the link will be less important in 1997 than it was in 1994 when the partnership was first announced, says John Gilmore, a retired partner at Goldman Sachs and a former chairman of the CBOT.

With volume on electronic trading systems picking up worldwide, it would be cheaper, and easier for the CBOT and the Liffe to simply offer their products on each other's trading floors electronically, Mr Gilmore said.

The CBOT has invested $184m in a new trading floor that will open next February, in part to accommodate the Liffe contracts. The Liffe is also refurbishing space in the City of London. Both exchanges have a firm commitment to open outcry trading. However, executives at both institutions acknowledge that while face-to-face trading is best for established markets, screen trading is the method of choice for any new ventures going forward.

Top 10 futures and options exchanges
Volume, in contracts, for the year to September 30

Exchange	1995	1996	% change
CBOT, US	161,026,010	170,487,642	+ 5.9
CME, US	160,735,488	154,125,987	–4.1
LIFFE, UK*	99,603,185	120,432,019	+20.9
BM&F, Brazil	109,899,530	104,777,367	–4.7
CBOE, US*	79,310,420	67,235,050	–15.2
NYMEX, US	56,263,119	57,341,639	+1.9
MATIF, France	52,093,835	51,382,504	–1.4
DTB, Germany*	36,635,595	48,423,164	+32.2
BBF, Brazil	100,045,619	48,223,418	–51.8
LME, UK	35,062,319	34,807,087	–0.7

* Does not include options on individual equities. Source: Futures Industry Association

■ **Regulation:** by Laurie Morse

Crisis control proves difficult

Putting a safety net around the market is akin to catching rain water in a sieve

Derivatives regulators around the globe have been working furiously since the Barings Bank collapse in 1995 to put in place a global framework for dealing with financial market crises. Barings illustrated that money, and derivatives positions, can move instantly from country to country and leave land-bound overseers – regulators or corporate supervisors – struggling for control.

A number of international co-operation agreements were forged in the Barings aftermath, under the auspices of the UK Securities and Investments Board (SIB), the Commodity Futures Trading Commission (CFTC), the Futures Industry Association Task Force on Global Integrity, and the International Organisation of Securities Commissions (IOSCO).

Nearly all the co-operative agreements, which centred on information exchange, were voluntary, and dealt helpfully with priorities and contacts in the event of another full-blown derivatives crisis. However, the run-up to the copper market turmoil that left Japanese industrial giant Sumitomo with losses of at least $2.6bn demonstrated that trying to put a regulatory safety net around the global derivatives market is akin to trying to catch rain water in a sieve.

Political issues and market jealousies prevented cross-border information sharing about activities in the copper markets before Sumitomo's positions contributed to the market crisis, and even interfered with information exchange in the first days of the copper market turmoil.

All the regulators involved in the Sumitomo affair – in Japan, in London, and in the US – say that the international accords after the Barings debacle worked well during the copper crisis.

However, it is clear from correspondence between the CFTC, the chief derivatives regulator in the US, and the UK's SIB in late 1995, that open exchange of information about London Metals Exchange copper markets did not take place until after the crisis had already occurred, despite the CFTC's concerns about unusual price activity six months before the copper market plunge.

Brooksley Born, the new chairperson of the CFTC, told a congressional hearing in Washington in September that while international co-operation has improved remarkably between regulators, more needs to be done to allow foreign jurisdictions to exchange information when markets are not yet in crisis.

Furthermore, David King, chief executive of the LME, said he felt legally constrained from sharing any market information with the US after the Sumitomo losses were made public, because laws which allow regulatory information to be released to the public are more liberal in the US than in the UK.

"We are very circumspect about what we give out, because information is a one-way street. Once it goes out, one can't control it," said Mr King in an interview. He finally agreed to share LME information with US regulators because "as part of the process, we've established with the CFTC that what we share is sacrosanct, and won't find its way into the public domain".

He adds that co-operation agreements are only as useful as the level of trust they confer. "In a global market one needs to have mechanisms for international communication, but one has to make certain the channels of communication are secure," he said.

The SIB and the CFTC are still reviewing the events that led up to the copper market crisis last spring. No specific market reforms for the LME or over-the-counter metals markets have been suggested. However, a group of commodity futures regulators from 18 different countries will meet in London late this month to discuss the special considerations raised by internationally-traded physicals markets.

Remarkably, the Sumitomo incident, following so closely after Barings, has not driven policy makers to advocate stricter laws governing derivatives. Instead, there are moves in the US and the UK to rationalise confusing regulatory structures that govern derivatives instruments, and to ease regulations where they seem to be constraining competition.

In the US, the CFTC and the Securities and Exchange Commission are working on clarifying the Treasury Amendment, a 1974 addition to the CFTC's enabling legislation that excludes foreign exchange contracts and some securities transactions from the CFTC's supervision. The issue has proved controversial, with over-the-counter derivatives dealers seeking further assurance that the CFTC will not regain jurisdiction over the interbank markets.

Separately, the US congress next year will begin the first overhaul of the Commodity Exchange Act, which governs the CFTC, in four years. Senators Richard Lugar and Patrick Leahy introduced their proposal for revising the CFTC's charter in September, and the agency and most of the futures industry is now in the midst of reviewing the new legislation.

US futures exchanges, particularly the Chicago Board of Trade and the Chicago Mercantile Exchange, issued delighted responses to the Lugar/Leahy proposals, mostly because the Senators have taken a view that regulatory relief is necessary for US markets to compete with upstarts overseas.

Specifically, the Lugar/Leahy bill would eliminate the extensive review process that is required before a US futures exchange can introduce a new contract, allowing new product introductions in as little as 10 days after they are announced.

Similarly, the senators would have the CFTC consider both the costs and benefits of any proposed regulations, with an eye toward limiting the costs of oversight to exchanges and their customers.

Finally, the legislators would give the CFTC rights to demand information from warehouses in the US that serve as delivery points for foreign commodity markets – a reaction to the Sumitomo crisis. The CFTC has said such powers are not necessary, but the provision is nevertheless part of the new bill.

■ **Emerging markets:** by Nick Reed

Investors seek wider horizons

Emerging market derivatives are the big growth area in banking today

The major currency markets' least volatile phase in living memory and historically low yields in the Group of Seven (G7) countries are forcing investment managers to look further afield to boost returns on their assets. In short: investors need the higher returns offered by more risky emerging markets, but do not necessarily want all of the risks associated with those investments.

For example, in September J P Morgan launched an issue for German investors based on Ecuadorian Brady bonds (repackaged loans whose principal is collateralised with US Treasury notes or bonds) but denominated in D-Marks. The investors wanted exposure to exotic Ecuadorian debt without the currency risk of a US dollar-denominated asset. The DM150m seven-year issue carried a coupon of 12.25 per cent and was structured by swapping the US dollar cash flows from the Ecuadorian debt into D-Marks.

Huge numbers of investors – and importantly now Japanese investors – are turning to eastern Europe, Latin America and Asia for new opportunities, and derivatives are playing a larger part than ever in implementing investment decisions. For bold investors, rapid economic reform and deregulation in these regions are providing potential returns not available at home.

However, investing in developing markets is often more complicated. And it is big business to trade the derivatives that simplify it. A quick look at the financial recruitment pages indicates that emerging market derivatives are the big growth area in banking today.

Peter Geraghty, head of emerging market derivatives at ING Barings in London, says: "There are many investors out there who are sophisticated enough to replicate these synthetic structures for themselves. However, when there are issues involved such as custody, settlement, licensing and contacts in the market, it can be easier to buy the whole product from an intermediary. It can take the hassle out of investing in emerging markets."

Peter Geraghty: market access is still the key question

Derivatives play a dual role for investors in emerging markets. First, they provide a way of hedging unwanted risks associated with investments, such as currency risk or interest rate risk. The best example is the "tequila effect" of the Mexican peso's devaluation in December 1994, which sent a wave of selling pressure through the emerging currency markets.

Investor appetite for credit exposure is increasing as the credit quality of many sovereigns and corporates rapidly improves. By using swaps, they can hedge out the unwanted risks while still benefiting from improving credit quality. In Asia, up to three quarters of all bond investing involves swaps of this type.

Second, they can allow investors to access markets where restrictions would normally prevent them from buying securities. For example, in the equity markets of Russia, the Czech Republic, Taiwan and South Korea there are restrictions on the size of holdings foreigners may take in local companies.

By entering into equity swaps – swaps where the investor receives the gains or losses on certain shares or indices and pays a floating rate of interest – investors can achieve the equity price exposure they want without actually owning the underlying shares, which avoids the ownership limit rules. This has been especially popular in Korea and Taiwan, where overseas investors cannot hold more than 20 per cent of the shares in listed companies. Another popular method of investing is for dealers to issue investment "certificates", which give investors share price exposure without share ownership, and are often denominated in major currencies such as US dollars, D-Marks or yen.

Mr Geraghty says: "The situation is at an early enough stage that emerging market derivatives are still largely about market access: How do investors get access to a particular equity market? How can they access a specific point on a particular yield curve? Do they want currency protection overlaid when they are doing so?"

As economic fundamentals improve, governments in developing economies are revamping their borrowing structures, making investing and derivatives trading more straightforward. As credible benchmarks are established, derivatives activity will grow, say dealers, because liquid government benchmark bonds are needed in order to price and hedge them.

Russia is expected to issue a US$300-500m eurobond soon, after obtaining credit ratings just below investment grade from the large ratings agencies on October 7. The Ukraine hopes to follow suit early in 1997 and is seeking ratings and approvals from the International Monetary Fund (IMF). In April this year, Mexico exchanged its Brady bond debt for US$1.75bn of 30-year global bonds. Brazil and Argentina are next in line for "de-Bradyisation". In Asia, the Philippines is considering its first international eurobond denominated in Philippine peso.

In addition, supranational agencies such as the International Finance Corporation (IFC), the European Bank for Reconstruction and Development (EBRD) and the Asian Development Bank (ADB) are actively developing local currency and debt markets by issuing debt in the local markets and then swapping the proceeds out into US dollars.

It is not only ownership rules that prompt investors to use derivatives. The currencies of many emerging economies – notably China, Russia, Poland, Hungary, Taiwan, South Korea, the Philippines – are still not fully convertible. In these countries hedging instruments, known as non-deliverable forwards, have been developed that allow investors and overseas companies with local assets to hedge their currency exposure to these markets and receive cash settlement in their own currency (often US dollars).

John McNiven, co-head of investment banking at Merrill Lynch in Hong Kong, says: "G7 countries have fully convertible currencies and established bond markets with little investing impediments in the form of withholding taxes. This is often not the case in emerging markets, particularly in Asia. Derivatives can often facilitate investments that otherwise may be too costly or simply not possible."

The growth in trading of emerging market derivatives has not gone unnoticed by the large US futures exchanges, although their attempts at listing Brady bond products have so far been unsuccessful. The Chicago Mercantile Exchange already lists futures on the Mexican peso, Brazilian real and the Mexican IPC stock index and plans to extend its range of emerging market products with a Taiwanese stock index future early next year.

In contrast, the Chicago Board of Trade is busy forging alliances to develop domestic futures exchanges in emerging markets, and has already signed development agreements in Argentina, Taiwan and Poland.

But for many developing countries, independently establishing a futures exchange is a matter of pride. Brazil's Bolsa de Mercadorias & Futuros (BM&F), which lists futures on the Bovespa stock index, Brazilian Brady bonds, interbank deposits and clears interest rate and exchange rate swaps, has traded since 1985. More recently, Malaysia, South Korea, Hungary and Slovakia have opened up futures or options exchanges with mixed results. Mexico's Bolsa Mexicana plans to launch IPC stock index futures, peso/dollar futures and interest rate futures within weeks.

Nick Reed is Asia Editor at Risk Publications in Hong Kong.

■ **Credit derivatives:** by Richard Lapper

An important new frontier is opening

The total notional value of credit derivatives outstanding has reached $39.2bn

Financial engineering techniques developed successfully by banks in the interest rate and currency markets are being transferred to the credit markets, opening an important new frontier for the derivatives industry.

Although growth has been slow with publicity about the new products still ahead of underlying levels of activity, there are signs that the number of credit derivatives transactions is rising. Data indicating the size of the market is hard to come by but according to a survey of six big derivatives brokers, published in June this year by Risk Magazine, the total notional value of credit derivatives outstanding has reached $39.2bn.

The segmentation of the world's credit markets – in particular, the division between the loan markets dominated by banks and the bond market dominated by institutions – creates pricing inefficiencies and has allowed financial engineers to develop an array of new products. These include default options, a kind of credit insurance which pays out if a country or company defaults on a bond or loan, and a variety of structured notes and so-called "total return swaps", in which the return from a credit is exchanged for one based on a fixed income spread.

Many of these instruments also allow investors and traders exposure to the performance of a credit without supplying the capital to buy a bond or loan in the first place.

These derivatives were originally developed by banks as a means of managing their credit risk more effectively. David Friedman, executive director credit fixed income at SBC Warburg, points out that bank exposures tend to be concentrated sectorally and geographically. "The use of credit derivatives allows more efficient risk transfer and management of exposure," he says.

But over the past two years a significant factor behind the development of the market has been the demand of investors for higher yielding paper at a time of falling interest rates and yields. At the same time, lower volatility has reduced the potential trading profits available from interest rate and currency markets, prompting an acceleration of product development within the banks.

Banks have begun to meet this demand by issuing to investors structured notes and total return swaps which contain selected elements of the underlying corporate bonds, syndicated loans and emerging market debt which they hold on their balance sheets. These instruments are effectively customised to meet particular investor requirements.

For investors these "customised" products have a number of interrelated attractions. They allow investors to gain access to markets – such as the syndicated loan market – which would previously have been inaccessible, allowing them to diversify more effectively. They also help investors to take advantage of the disparities in the way that credits are priced in the loan, bond and equity markets. In addition, they provide opportunities for investors to gain exposure to a credit without having to accept the interest rate risk associated with holding a company's debt.

So far, most of these products have been developed in the emerging debt markets, where the risks and attractive returns offered by Brady bonds – issued by developing country governments in exchange for distressed commercial bank debt – have generated significant interest. Brady bonds are denominated in dollars, have long maturities of up to 30 years and are sometimes guaranteed by US zero-coupon Treasury bonds. But, by repackaging the bonds dealers have been able to offer a variety of emerging market investments with different characteristics tailored to suit investor needs. Investors can buy a structured note with a shorter maturity, for example.

Alternatively, the yield on Brady paper can be enhanced by issuing a note from which the US zero-coupon collateral has been stripped or notes issued in different currencies. This year, a number of investment banks have issued Brady bond notes through special purpose vehicles – sometimes denominated in D-Marks rather than dollars – and aimed at the European retail eurobond market.

According to Risk Magazine more than half the credit derivatives outstanding – or a total of $22.8bn in notional value – are based on emerging market bonds. Options triggered by the price or the spread of a Brady or other emerging market sovereign bond over US Treasuries account for some $7.5bn of these transactions, while the value of total return swaps amounts to about $5bn. Default puts, in which payment is triggered by default of a third party, have also been popular, amounting to about $5bn in notional value.

James Orbell, director at Credit Suisse Financial Products, says that his bank has sold this type of option to construction companies engaged in building infrastructure projects in emerging markets. In some cases these instruments have been used to supplement insurance from export credit rating agencies which sometimes does not cover the full amount at risk.

Bank accounting policies and illiquidity has stemmed the pace of development, but bankers point to the embryonic two-way business, a development which should gather greater momentum as a result of plans by the International Swaps and Derivatives Association (Isda) to introduce standard documentation.

"People are becoming more familiar with these types of structure. Once everyone is happy with the way the terms work it clears the path for the market's development," says Mr Friedman at SBC Warburg.

Writing recently in Risk Magazine, Charles Smithson and his colleagues at CIBC Wood Gundy in New York, say that dealers have begun to "warehouse" trades and enter into cross hedges "managing risk on a portfolio basis in the same way that an interest derivatives book is managed".

In future, dealers expect the increased use of credit derivatives to enhance the efficiency of credit markets. In the same contribution to Risk Magazine, Mr Smithson and colleagues said this could happen in "much the same way as collateralised mortgage obligations (CMOs) promoted more efficient origination and holding of mortgages". CMOs permitted the risks of mortgages – originated and serviced by savings and loans institutions – to be transferred to other investors, who could hold them more efficiently. "The same thing is happening to bank loans as non-traditional investors gain access to the loan market via loan swaps," wrote the specialists.

Credit derivatives: estimates of the size of the market ($m)

	Corporate bonds	Corporate loans	Emerging market sovereign bonds	Total
Forward agreements	100	0	250	350
Total return swaps	2,500	5,000	5,000	12,500
Price/spread options	250	50	7,500	7,800
Default puts	5,000	500	5,000	10,500
Correlation products	2,000	0	0	2,000
Notes	500	500	5,000	6,000
Total	10,350	6,050	22,750	39,150

Source: Risk

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- 1996 Chase #1 — Most Professional Trader Caps/Basis Swaps/Swaptions — Swaps Monitor — CHASE
- 1996 Chase #1 — Top Forward Rate Agreements House — Risk — CHASE

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SHEPHERD LITTLE

■ **Currency derivatives:** by Richard Metcalfe

Forex options in the long term

The return to form of most listed derivatives has not extended to currencies

The currency derivatives business has never been busier. But you would not know it from the figures reported by the world's futures exchanges. And the clearest thing of all is that, with the obvious exception of exchanges' management, nobody seems to think there is anything untoward about this situation.

Three contracts on the Chicago Mercantile Exchange (CME) regularly trade more than 1m lots every month, and not one of them is a currency contract (see table). And no exchange has a better track record than the CME in listed currency derivatives, which nurtured and grew off such business in its early days. (Brazil's Bolsa de Mercadorias e Futuros lists a dollar/real future that has begun to trade significantly higher volumes, but participation is almost purely domestic and many commentators doubt whether this level of activity is sustainable.) All of the Philadelphia Stock Exchange's range of contracts, which is the next broadest after the CME's, are languishing at around 50,000 lots a month.

Moreover, the situation is steadily deteriorating as far as exchanges are concerned. Futures volumes dropped across the board in 1995. But, if Brazil is excluded, those of key listed currency derivatives have been slipping since they peaked in 1992-93, in a period when futures business more broadly was growing (see table).

As a proportion of overall business, the trend is clear. And the return to form that most listed derivatives have seen in 1996 has not extended to currencies, where volumes are set to be even lower than in 1995.

Figures for the over-the-counter (OTC) markets offer a meaningful if imperfect comparison.

Those compiled by the International Swaps & Derivatives Association (ISDA) in New York are the best measure of a relatively opaque market and they suggest that currency swaps business is growing again, after a slack period when capital requirements to cover credit risk seemed to be restricting the use of long-dated forex contracts. In 1995 it was up 20 per cent on 1994 in terms of dollar value.

ISDA figures offer less detail than those from exchanges. In particular, they lump together a number of unnamed currencies, constituting a tenth of total business, where the growth has been most dramatic, shooting up 550 per cent. But even these vague statistics tell a clear story.

Contract comparison

Contract	Jan-Sept
Eurodollar future	79,915,522
Eurodollar option	18,317,668
S&P 500 future	15,370,994
$/DM	4,766,058
$/Y	4,119,935
$/£ option	2,580,722

Source: Systematics International

Above all, they show the crucial advantage that flexibility gives to the over-the-counter market. For the anecdotal evidence suggests that much of this phenomenal growth in currency swaps involves currencies that are, in derivatives terms, "emerging", particularly in Asia.

And, while there is no good reason why exchanges should not go out and list contracts on such currencies, in practice they face a number of constraints.

In the US, the regulatory process for bringing new contracts to market is slow and cumbersome. Elsewhere, exchanges simply do not have the credibility in forex contracts, tending only to list the local currency against the dollar, to complement bigger bond, stock index and interest rate trading. In all cases, launching new contracts has costs, which reduces room for manoeuvre.

Yet forex trading is one area where you need to be able to move quickly, as it tends to shift suddenly from one currency pair to another. And exchanges nowadays face a confidence hurdle, whereby a contract must succeed very visibly in volume terms, or else be labelled terminally illiquid. In forex, that hurdle gets bigger with every trade that goes into the OTC market, where there is no such pressure for a contract to perform.

This situation is different from the market in interest rate derivatives. There, the vast majority of business in instruments such as US dollar interest rate swaps can ultimately be broken down into one of a limited range of fundamental components in which futures trading volume can concentrate: principally, short-term contracts (such as Eurodollars) or a longer-term one (such as T-bonds). In this environment, futures and OTC contracts mutually support each other.

In forex, while a relatively small number of houses dominate, the business they transact is more diverse, leaving less opportunity for concentration of volumes.

For all this, exchanges have not yet given up. Philadelphia, for example, is putting all its weight behind customised currency options, allowing more flexibility in the terms on which any single deal is traded. And, in an extraordinary move, the CME has been hiring traders to make markets in currencies on the Globex out-of-hours system.

Some see this as recognition of the approach taken by the New York Cotton Exchange's financial markets subsidiary, Finex. Finex has set up a Dublin floor and bypassed locals – the individuals who trade on their own account on many exchanges. Its stated aim is to tap straight into the (London-based) interbank market, where the big currency trading takes place. Volume figures have yet to prove this approach right. But many big currency operators, weary of the obstructive attitude of other exchanges towards instruments such as exchanges for physicals, like the idea. Finex has taken the argument to the market, commissioning a study which shows that the liquidity is there, even though volumes are not.

Finex hopes to gain a workable share of the overall forex derivatives market – not reverse the balance of power between OTC and listed markets. This would seem wise, since the OTC markets now seem to be many steps ahead of what is possible on exchanges.

The sheer range of products in the forex area is the main characteristic, with increasing integration of business lines supporting complex interactions between spot, standard options and exotics.

The latter is a rapidly developing market, along with instruments which exploit the correlation between currencies and other asset classes.

Exotics, which are less heavily traded than plain vanilla options, forward contracts and spot forex, are one area where superior risk managers can still prove their advantage.

Exchanges will probably end up retaining a small role in forex derivatives, though it is possible that business shifts completely OTC.

Richard Metcalfe is editor of Futures & Options World.

Chicago Mercantile Exchange: best for listed currency derivatives

Exchanges lose market share
Futures contract volumes (millions of lots)

	1992	1993	1994	1995
Currencies	55	62	94	125
Currencies*	54	55	55	50
Total	1,896	1,115	1,636	1,796
Proportion (%)*	2.8	4.9	3.4	2.8

* Excluding Brazil's BM&F — Source: Systematics International

■ **Equity derivatives:** by Richard Irving

Europe opts for hedging

Principal-protected guarantees are helping crush apathy to share ownership

The record DM15bn privatisation of German telecommunications giant Deutsche Telekom is proof that equity derivatives have come full circle.

Not so long ago, simple plain vanilla instruments such as exchange-traded stock index futures were blamed for creating stock market volatility and ultimately exacerbating the global crashes of 1987 and 1989. Now derivative structures are central to a range of initiatives designed to attract risk-averse private shareholders to the world's equity markets.

By offering downside indemnities or principal-protected guarantees, financial institutions hope to crush a long-standing apathy to share ownership in Europe. Even Japan's ministry of finance is close to relaxing stringent rules which prevent domestic institutions from tapping demand for equity-linked products.

Both Commerzbank, the Frankfurt-based money bank, and UBS, the investment banking arm of Union Bank of Switzerland, claim that principal-protected structures launched ahead of the Deutsche Telekom float have exceeded all expectations. Commerzbank's Safe-T product, for example, guarantees to reimburse shareholders if the share price trades below the issue price on the day of the company's annual general meeting in 2002. In return for this pledge, the bank retains all stock dividends and tax credits as premium income for writing what is in effect a simple six-year at-the-money put option.

UBS, meanwhile, has been working with senior management to create a similar structure for the company's 280,000 employees which not only guarantees participants from any loss for the first five years, but which also gives them access to a pre-arranged credit line allowing them to leverage their initial DM300 stake up to DM1,500. According to a source at UBS's corporate structuring group in London, as much as 80 per cent of the workforce has already signed up for the scheme, compared to previous take-up levels of around 20 per cent in past issues. Indeed, so successful has the issue been, that a number of other corporations in Germany, including Lufthansa, the national airline, and car manufacturer BMW are rumoured to be considering similar initiatives.

The real potential for principal-protected structures lies not with smaller shareholders or even employee schemes, but with institutional investors such as pension funds and insurance companies which buy the concept pre-packaged in the form of equity-linked notes.

Typically, the notes are structured in such a way so that the pay-out is linked either to a basket of closely correlated stocks or a broader stock market index. The investor waives part or all of the coupon which goes towards purchasing at-the-money puts on the underlying exposure for the life of the bond, usually three to five years. Dealers say the notes have become increasingly popular with fund managers who have been caught underweight in equities this year and who have subsequently struggled to match key benchmarks in terms of performance.

"Since the beginning of the year, equity-linked business has grown between 40-50 per cent over the previous year," says Francois Pham Quang, head of European equity derivatives marketing for NatWest Markets in London. "The biggest interest has undoubtedly been in the traditional retail markets but we are beginning to place issues in periphery countries that are opening up to more equity."

But against a background of low interest rates and rising volatility, notes such as these are becoming harder to structure: "When five-year interest rates were trading around the 7 per cent level, investors were foregoing enough coupon to make the purchase of options viable. But with rates down to 5 per cent and volatility set to trend upwards, there's not enough premium around to fund the option," Mr Pham Quang explains.

Providers are also struggling to structure equity-linked notes with maturities that more accurately match the liabilities of potential customers: "The greatest challenge to the wholesale market right now is to make equity-linked notes more suitable for insurance companies and pension funds," explains Andrzej Rojek, senior managing director and global head of equity derivatives for Bankers Trust in London.

Bankers currently shy away from providing longer-term structures because the risks are deemed too great, he says. "It's one thing writing longer-dated options against 10-year government bonds, where you can make some fairly accurate assumptions about default and liquidity risks. But who can say what will happen to a basket of multinational stocks over the next 15 years? You end up with a position that is almost impossible to hedge."

Dealers say more popular, for the moment at least, are equity swaps where the fund manager receives a total return linked to an index or basket of stocks and pays out a fixed rate pegged to, say, two-year interest rates.

"We've seen investors hook up the play to US Treasuries against the S&P 500 in the States and to the consumer price index against the FTSE 100 in the UK," explains Sanjeev Gupta, managing director for equity derivatives at Credit Suisse Financial Products in London. "Again business is brisk, with year-on-year volumes up 40 per cent or more. Demand has been so strong, that dealers estimate transaction costs (in terms of the spread relative to the London Interbank Offered Rate, or Libor) have come in around 60 per cent."

Richard Irving is deputy editor of Risk Magazine.

■ **Emu and OTC contracts:** by Samer Iskandar

Euro uncertainty lifted

Brussels has gone some way to eliminate confusion over definitions post-Emu

Some of the uncertainty surrounding the impact of European economic and monetary union on the over-the-counter derivatives contracts has been lifted this year.

Several potential problems have been eliminated by European legislation or as a result of discussions with professional associations, such as the International Swaps and Derivatives Association (Isda) – which led to provisions for Emu being built into OTC contracts.

Legislation, which followed pressure from professional associations and financial institutions – has also helped remove some uncertainties contained in older contracts. We now know, for example, that existing contracts referring to the Ecu will not be affected by the adoption of the euro, because the substitution of the euro for the Ecu has become automatic.

Brussels has also gone some way to alleviate the risk of differences arising over definitions contained in contracts that did not take account of Emu. Among the deals that should be spared are those maturing between 1999 and 2002 – when national currencies are used in parallel with the euro. These contracts will continue to run until maturity, and will be settled in the currency they were denominated in originally, unless both parties agree to convert to the euro.

Controversy, however, could still arise in contracts maturing after 2002. Iona Levine, head of the derivatives practice at the law firm Hammond Suddards, believes "there has been significant progress, but not enough problems have been solved".

In 2002, when national currencies of member states are suppressed, and thereafter, a number of indices and benchmark interest rates, such as the Frankfurt interbank rates for D-Mark and the Paris rates on the franc, will have ceased to exist. Of course, not all references will disappear – 10-year bond yields, for example, will continue to differ due to credit considerations. But a majority of short-term interest rates are bound to be scrapped as they are replaced by a new single rate set by the European central bank, which should come into existence in 1999.

This could lead to some discord, since parties to contracts involving such references are likely to disagree on the choice of a new underlying rate. "Parties [to such OTC contracts] will have to come up with their own alternatives", says Paul Reyniers, global head of capital markets at AT Kearney, the US strategy consultancy group.

However, Ms Levine warns that "some participants will always be tempted to make money from this ambiguity".

Mark Fox, chief European strategist at Lehman Brothers in London, expects such disagreements to lead to litigation. "These arguments will probably be tested in the courts," he says.

Furthermore, and in spite of professional associations' extensive efforts, looming problems are likely to prove surprisingly time-consuming for both intermediaries and end-users of OTC derivatives.

The lack of standardisation in this unregulated market means that financial institutions will sometimes have to study the effects of the single currency on several different contracts separately.

"To avoid controversy," Mr Fox says, "further legislation is desirable." But it would have to be imposed on a European level because, as Mr Reyniers points out, "the forced deregulation in the market environment is causing a loss of power by the national regulatory authorities".

Ms Levine also predicts that further problems will arise "when we start going into the details [of existing contracts]". She highlights some loopholes, or even contradictions, in existing legislation. Shortcomings include the decision by the Financial Law Panel, the London-based legal think-tank, to recommend that national legislators deal with loose ends relating to the possible frustration of contract (as defined under UK law).

Ms Levine also points out that legislation governing the continuity of contracts remains too vague, leaving so-called force majeure clauses exposed to misinterpretation. Force majeure clauses were originally designed as a protection against unforeseeable events such as hurricanes, earthquakes or power cuts leading to computer breakdowns. But some of them also refer to disappearing currencies, typically in case of war or sovereign bankruptcy. But as currencies are scrapped to be replaced by the euro, these clauses become subject to varied interpretations. Whether a force majeure clause is valid "will depend on how 'unforeseeable' the legal profession judges Emu to have been when the contract was signed", Ms Levine says.

Such cases, and others, will undoubtedly keep all concerned – banks, lawyers, regulators and legislators – busy in the coming years.

"We are still at the stage of dealing with generalities," says Ms Levine. "Sooner or later, someone will have to take all affected contracts, look at them very closely and analyse them."

■ **Risk management:** by Samer Iskandar

Quest for a benchmark may be over

VAR seems to be the most likely candidate for universal recognition

In the past few years, and especially since the Barings debacle in February 1995, regulators and financial risk managers have been pushing for more effective risk controls in the use of derivatives.

Professionals have repeatedly highlighted the importance of agreeing a common benchmark for risk measurement. However, as the continued exponential growth of derivatives usage made this goal more desirable, the rising complexity of new products simultaneously made it more difficult to attain. In this environment, value at risk (VAR) has gradually imposed itself as the most likely candidate for universal recognition.

Value at risk is expressed as a simple number, representing – with a chosen degree of confidence – the amount that can be lost on a given portfolio of financial instruments held over a predetermined period of time.

It is not a new concept. Different versions of it have been used for some time, but the main breakthrough was achieved roughly two years ago when J P Morgan introduced RiskMetrics, a risk management system based on the VAR concept, which the investment bank chose to make available to all market participants – clients as well as rival institutions.

"VAR is moving towards becoming an international standard for risk measurement", said Andrew Lese, vice-president of Emcor, a US risk advisory firm.

Phil Rivett, chairman of the capital markets group at Coopers & Lybrand, points out that several European and US financial institutions have published their calculations of VAR in their latest annual reports. "The issue of market risk is under control, at least among the large financial institutions."

In addition to being recommended by market regulators, including the US Securities and Exchange Commission, Mr Rivett believes "the accounting profession is moving towards recommending VAR as the main risk measure to be disclosed" by companies as part of their regular reporting to the public.

It is, however, a drawback for VAR to be viewed merely as a a statistical measure. As one financial expert commented, "It will not be understood by all lay people, including some in the boardroom." Although this does not seem to have diminished its attractiveness in the eyes of risk managers, experts have repeatedly called for a harmonisation of the VAR concept. Observers now agree the onus has shifted away from market risk, "a matter that has been settled by VAR", in the words of one commentator. Coopers & Lybrand, for example, reports an increase in assignments to look at operational risk – "by definition the biggest challenge", according to Mr Rivett.

Mr Lese at Emcor concurs, pointing out that operational risk must be regarded as a separate domain, partly because of its potential consequences, but mainly because of the complexity involved in its management. Monitoring operational risk "requires a look at a large number of parameters separately", he said. These range from the possibility of a computer breakdown, to the risk of a trade reporting ticket being blown out the window, and encompass the odd rogue trader who has devised a way to execute trades without reporting them. "It is relatively easy to set up a system that singles out 90 per cent of operational risk", Mr Lese added. "But the remaining 10 per cent is the most difficult and costly to spot."

Phil Rivett: the issue of market risk is under control

Operational risk is "more of an all-or-nothing type of event", Mr Rivett said. "Statistical measures of the probability that something will happen are not very useful. What matters is the ability to allocate resources to the areas that are most likely to suffer a problem."

Ron Dembo, president of Algorithmics, points out that defining the areas which need monitoring is not as straightforward as it might appear at first sight. He illustrates this with the hypothetical example of a bank setting up expensive surveillance systems to monitor cashiers handling thousands of pounds in cash, while neglecting the supervision of traders who regularly put millions at risk – a flagrant example of misallocation of resources.

Most experts, however, agree that dealing with operational risk is a question of common sense. In simple terms, Mr Lese said, the aim is to "reduce the opportunities when things can go wrong". This can be achieved by applying relatively simple guidelines. "Automation is good," Mr Lese said, "as well as the separation of responsibilities [between traders and back-office staff] and increases in controls [such as random checks]."

Coopers & Lybrand reports that an increasing number of businesses "are designing minimum control standards". The precursor to all such initiatives was undoubtedly the Group of 30, the Washington-based study group chaired by the former US Federal Reserve chairman Paul Volcker, which issued the first set of recommendations in the early 1990s. Mr Dembo believes the "G30 did a remarkable job. They captured the essence of the issues at stake". But he points out the difficulty of implementing its recommendations in detail. Fortunately, this task has been made easier by the work of several other groups, such as the Derivatives Policy Group (DPG), comprising representatives from US investment banks.

In Germany, the process was taken one step further. A new regulatory framework, applicable at the start of next year, will impose minimum requirements in terms of risk management. Although these are inspired by other recommendations – such as the Generally Accepted Risk Principles and the DPG's work – they offer the advantage of being more explicit than the G30's earlier work. Mr Rivett stresses the importance of the small step from "what should be done" to "how to do it". "The market has come a long way since the G30 report," he says.

■ **New products:** by Margaret Morris

Fresh flavours gain support

The latest additions to the derivatives menu are insurance and electricity

If you thought all possible derivative frontiers had been breached, think again. Think in particular of insurance and electricity. Both industries have spawned new exchange-traded derivative instruments that are slowly gaining favour.

But the insurance and electricity markets require fundamental knowledge and industry understanding. Of the two, insurance derivatives are better developed and easier to understand. But as electricity markets deregulate throughout the world, Jeff Skilling, chief executive officer and chairman of Enron Capital & Trade says: "Electricity will be the largest commodity market in the world."

It is no coincidence that a market for catastrophe insurance derivatives is developing now. In the 1990s, a succession of hurricanes and earthquakes hit areas where property values are high. From Hurricane Hugo in 1990 through the Northridge earthquake in southern California in 1994 to the recent scare of Hurricane Fran, insurance companies worldwide have sustained billions of dollars of claims.

"The enormous increase in property values and the insufficient capital of insurance companies means that there just isn't enough capacity to cover the risks," says Richard L. Sandor, chief executive officer of Chicago's Centre Financial Products. Capacity in the reinsurance markets – not helped by the problems with the Lloyds market – also is not deep enough to cope with the demand for catastrophe insurance.

All the derivatives products developed in the insurance market are designed to either shift the risks to those better able to absorb them, or to expand the pool of risk providers to encompass those not traditionally involved in insurance markets.

Since 1993, the Chicago Board of Trade has offered a catastrophe insurance contract designed to provide a layer of reinsurance for insurers or even reinsurers themselves. It is a call spread contract that allows an insurer to buy, say, protection of between $4bn and $6bn of losses for the late summer hurricane season. That means that if the insurer incurs losses above $4bn, he will receive a payment, but that payment will be capped at the $6bn mark. If losses remain under the $4bn threshold, no payment will be made.

The contract was relaunched in September 1995, after the CBOT found that the loss estimates on which contract pricing was based were not accurate enough. Should a disaster strike, the contract is priced according to estimates of loss at the time. If those loss estimates are off base then faith in the contract is undermined.

"By moving to Property Claims Service, we are getting very accurate and timely loss information and that is shown in the contract usage since we switched," says Dena K-Karras, senior product manager at the CBOT. For the Northridge earthquake, Property Claims Service estimated that losses would be $12.5bn at the time. The actual losses turned out to be $12.3bn.

Volume on the contract peaked in September as Hurricane Fran approached the east coast of the US. Open interest jumped nearly 30 per cent to a record 4,789 contracts representing $8.6bn in coverage capacity. As it happened, Fran was downgraded to a tropical storm soon after hitting the North Carolina coast and a major disaster was averted. "What Fran showed was the flexibility of the contract," says Centre Financial's Sandor. It was possible, almost to the moment the hurricane struck, to buy reinsurance cover. Traditional reinsurance would probably have been more expensive if it was available at all.

Insurers say that the contract will not ever replace traditional reinsurance products but it does provide an extension of the coverage available. And insurance companies are also buyers of risk in this market. Big insurers such as Travelers/Aetna and USFG have announced pilot entry programmes into the market.

The CBOT hopes that other non-insurers will be buyers of risk in this market. "It is attractive to portfolio managers," says Ms Karras, "because the returns are not correlated with any other asset in their portfolio." That means that buying catastrophe risk is an investment that will not change in value, say, when US interest rates move. Its value is more dependent on weather patterns.

Other efforts to expand the risk capacity of the insurance market include the recent phenomenon of privately placed catastrophe risk bonds.

Derivatives in the electricity market are less developed than those in the insurance market, even though the electricity market stands to become larger in the long run. The development of electricity derivatives is a function of the deregulation of the cash market for electricity. No freely operating cash market, no derivatives market.

In the US, federal deregulation of transmission opened the way for deregulation in each of the 50 states. In areas where the states have deregulated electricity, particularly in the western part of the country, a rudimentary cash market has developed and so, too, have electricity derivatives, in the form of two futures contracts traded on the New York Mercantile Exchange.

The two contracts are based on the two most active delivery points in the cash electricity markets, the California-Oregon Border (the COB contract) and the Palo Verde high-voltage switchyard. These contracts were launched very early in the deregulation process and are not widely traded.

Nevertheless, says Enron's Skilling: "There is a lot of interest by hedgers. Electricity is a big cost item for many companies. Producers, too, want the option to lock in." Mr Skilling expects the depth and liquidity of the electricity market in the US to develop very quickly – within six to 12 months.

Critics of electricity derivatives often point to the difficulty in storage as a key point that will limit the development of a futures and options market. Mr Skilling dismisses this concern. "At a price, you can build a spinning reserve, a generating facility that acts like storage. It is analogous to the gas reservoir," he says.

To understand the true importance of electricity as a commodity, Mr Skilling points to the size of the market. "The US wholesale gas market is $30bn; domestic oil is $50bn. Electricity is $93bn a year – that is 4 per cent of US gross national product," he says.

In the UK, the electricity market has been deregulated. But a bilaterally negotiated cash market does not exist, because of the regulated nature of the Electricity Pool, the day ahead market for physical electricity in England and Wales. In particular, a price-capping agreement instituted by the industry regulator, Professor Stephen Littlechild, several years ago, kept average annual prices at £25 per megawatt hour. Though this agreement expired in April 1996, the cash price is seen as in thrall to the regulator, limiting activity in the key forward instrument, the electricity forward agreement (efa), which is a short to medium-term swap indexed to prices in the Pool.

Sorting out the technicalities of the electricity market are a priority for both electricity industry participants and their corporate customers. "Right now, only industry participants – independent power stations and the like are very active – but corporates are looking at hedging this exposure," says John Evans, an electricity broker at Euro Futures. "The market needs liquidity and price transparency."

RECRUITMENT

Robert Taylor on the French experience of managing the labour market

Along the European track

Channel Tunnel fires notwithstanding, the arrival of Eurostar promises to open up the French jobs market to the British. Travelling by rail from London to Paris now takes less time than from London to Manchester. It is not surprising, therefore, that trains between the two capitals are full of workers travelling between office and home.

But a satisfactory linking of the UK's flexible labour market with the more regulated French employment system is not going to be easy. This was clear from the discussions at a seminar in Paris last week organised by the British Council. Mrs Gillian Shephard, the UK's French-speaking education and employment secretary, recommended the deregulated British way in bullish tones to a polite if sceptical audience. Many of the employers and academics may have thought wistfully of the freedom enjoyed by UK companies in recruiting employees. But Mr Jacques Barrot, the French labour minister, acknowledged that his government was fearful of forcing through radical labour market reform because of the social unrest it might cause.

There was much apocalyptic talk at the seminar from French participants who seemed to think their country was once again heading for revolution, although that seemed extravagant language to the world-weary UK contingent. But France does appear to be experiencing a social malaise. With unemployment running at 12.6 per cent – almost twice the UK figure – the French labour market is facing trouble. Just over a third of the jobless have been without work for more than 12 months. No net job creation took place at all in the private sector in the first half of the year, while a growing number of large companies, including carmakers Peugeot and Renault, and Crédit Lyonnais, have announced substantial redundancies in recent months.

Many French participants complained about the inefficiencies of employment in the state sector. In one unnamed public enterprise, the lunch break apparently lasts from midday until 2pm and the working day ends at 4pm. While staff in highly organised areas, such as Air France, can protect themselves from adversity, the French underclass, primarily made up of young males, grows larger and perhaps more menacing.

The main emphasis of the government's employment strategy has been on incentives to encourage employers to recruit from the long-term unemployed. The more jobless they hire, the more generous the subsidy, or the bigger the discount the employer gets on social security contributions. The government has also been trying to encourage companies to recruit workers into part-time jobs, although with limited success. Young people and women have been the main beneficiaries of this inducement.

Companies are also being encouraged by the state to reduce working hours for their existing employees as a way of creating more employment opportunities. But Mr Barrot insists that any progress on working time depends on negotiations at industry and company level to achieve acceptance. The state is trying to encourage the growth of collective agreements for more flexible working between companies and their employees even if the workers do not belong to a trade union. However, the government accepts there can be no question of forcing through cuts in excessive overtime and introducing variable work patterns. Shifting the burden of social costs from employers on to the government will be a slow process, but it does appear to be making a limited impact on employment.

To Mrs Shephard's obvious delight, the French government is showing considerable interest in what the UK has been doing to improve vocational education and training. Legislation is promised for next year in France which would, among other changes, create a new national system of accreditation, similar to the UK National Vocational Qualifications, and allow workers to have training accounts transferable between employers and negotiated as part of their working time. Despite their troubles, however, even French employers insist they have no desire to introduce what they call the "Anglo-Saxon hire-and-fire" recruitment culture. Mr Barrot said what they really wanted was "serene stability".

"We need fewer regulations," he admitted, however. Employers no longer have to get the state's permission to downsize their operations but they are still encumbered by the need for agreed "social plans" of redeployment, retraining, work sharing and early retirement. "We cannot overnight introduce flexibility because it would destabilise French society," said Mr Barrot. "Striking a balance is the European way."

● Monks Partnership, which has just published quarterly data on City of London salaries* (see table), says it has noticed an increase in bonus payments to bond traders and salesmen, foreign-exchange and money-market traders and to corporate financiers.

**International Banks & Investment Houses in the City of London. Monks Partnership, The Mill House, Wendens Ambo, Saffron Walden, Essex CB11 4JX, UK. Tel: +44 1799 542222 Fax: +44 1799 541805. £270.*

Salaries, bonuses and car allowances in City of London finance

Position	Base Salary: Lower Quartile £	Base Salary: Median Quartile £	Base Salary: Upper Quartile £	Average Salary: Salary £	Average Salary: Bonus %	Car Provision/allowance: With Car %	Car Provision/allowance: Value £	Car Provision/allowance: Annual Allowance £
Corporate Finance Head	106,075	119,000	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Capital Markets Head	117,200	145,000	172,500	147,100	71.0	87	23,600	8,754
Bond Sales Head	89,150	95,900	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Fund Management Director	102,500	120,000	151,300	129,100	42.2	100	22,853	7,450
Futures & Options Head	[illegible]	102,500	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Eurobond Trading Head	97,500	125,000	148,500	124,225	41.0	77	26,073	7,334
Equity Trading Head	[illegible]	109,100	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Private Banking Head	85,750	100,000	110,000	99,300	23.9	69	18,669	7,109
Head of Research	[illegible]	105,000	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Financial Director	75,000	83,000	92,000	85,150	41.6	82	21,552	7,990
Chief FX Dealer	[illegible]	90,000	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Legal Services Head	65,000	72,100	79,200	75,000	32.7	95	21,035	6,746
Personnel Director	[illegible]	85,000	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Money Market Head	61,000	71,200	81,975	72,650	39.6	82	19,763	6,077
DP Director	[illegible]	70,000	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Credit Manager	38,500	43,950	49,400	44,450	9.4	65	18,583	5,728

Source: Monks Partnership

FINANCIAL ANALYSTS

INTERNATIONAL PROPRIETARY INVESTMENTS GROUP

LONDON/STOCKHOLM — **COMPETITIVE PACKAGE**

- Investor AB is the largest Swedish industrial holding company, generating value through long-term active ownership, investment operations and trading. Its largest shareholders are the Wallenberg family foundations. Based in Stockholm, London, Hong Kong and New York, it has interests in a portfolio of Sweden's largest industrial companies including Astra, Scania, Incentive and Ericsson.
- Consistent growth and ambitious plans have created further need for Financial Analysts. Excellent scope for early exposure to real investment situations and strategic management issues with a particular focus on IT, telecoms, media and services.
- Essential members of a small, tightly knit team, key tasks will involve financial and strategic analysis and valuations to support the team's investment decisions.
- Aged early to mid 20's, first class academic background ideally with an accountancy or MBA qualification. Alternatively two to three years' relevant experience gained in corporate finance, banking or a major multinational with investment or acquisitions experience.
- Well-honed analytical and financial modelling skills, an international outlook and able to demonstrate an innovative approach to problem solving. Results orientated, energetic, team player with excellent communication skills.
- Superb career opportunities for top performers to grow into an investment management role. International travel and opportunities to be based abroad in the future.

INVESTOR AB

Please apply in writing quoting reference 1274
with full career and salary details to:
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Whitehead Selection Limited
11 Hill Street, London W1X 8BB
Tel: 0171 290 2043
http://www.gbnet.co.uk/whitehead

Whitehead SELECTION
A Whitehead Mann Group PLC company

Investmentbank Austria
The Investment Bank of Bank Austria-Group

Managing Director

Investmentbank is engaged in all aspects of investment banking and is part of the triple-A rated Bank Austria, the largest banking group in Austria. It has a highly successful track record in Europe, in the origination of bonds and equities as well as M&A transactions, and has been voted the best Austrian research house in each of the last three years. It has played a major role in privatisations in Central and Eastern Europe. Through a number of joint ventures it provides specialist fund management and advisory services.

Investmentbank Austria is establishing a London operation to enhance and develop its existing strengths and relationships in the UK and Northern Europe. The initial focus will be on sales and trading of emerging markets equities, supplementing its Austrian equity activities.

You will lead and build the team which will be supported additionally by research and origination efforts based in Vienna and throughout Central and Eastern Europe. You should have a background in institutional sales with strongly established relationships. An understanding of the fundamentals of emerging markets, ideally those in Eastern Europe, is important. A willingness to participate in the team effort is essential.

Please apply in confidence, giving details of your career and current earnings, quoting reference 0427 to AAD Executive Selection Limited, 7 Curzon Street, London W1Y 7FL.

AAD

The Executive Selection Division of The Odgers Group

Financial control : at the core of the decision-making process.

Based at our Grenoble site, the PC Division pilots worldwide strategy in a competitive, demanding and constantly changing market. Our development is supported by teams that are building the world of the future, sharing skills enhanced by diversity. Daring strategies and technological choices, market foresight and the quest for excellence are the reasons for our success, in which our Financial Management teams play a major role. That's why we attach great importance to the quality of our

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As a privileged partner for our operational managers, you take part in every strategic decision by giving relevant insight into the performance indices. At information system and monitoring level, your support ensures efficient and reliable guidance for the financial results of a product line of market segment, on a worldwide or European level. With higher education (management school, university, MBA, etc...), you have 2-5 years experience in a competitive international environment, in sectors such as automotive parts or household electronics. Your credibility is based on the ability to communicate your expertise with openness, interactivity and commitment. You are also, of course, fluent in English. As a driving force for change, you enjoy innovating, building and federating. If you want to open up to new opportunities in the short or medium term, get in touch with us.

Please send your application with reference FT/CS/1 to Hewlett-Packard Service Recrutement - 38053 Grenoble Cedex 09 - France.

HEWLETT PACKARD

International, High Calibre Communications Professional

Continental Europe — **Attractive Package**

Our client, a major multinational corporation in the speciality chemicals industry, seeks an experienced corporate and/or marketing communications professional to join the small head office team and take strategic communications responsibility for one or more businesses.

Reporting directly to senior management, your principal responsibilities will be local and international media relations, marketing communications (including the organisation of trade exhibitions, publications and other marketing support activities) and reinforcing the key elements of corporate identity within the business environment. You will act as an internal consultant to the operating businesses around the world.

A graduate with at least five years experience in communications, gained in an agency and/or in-house environment, you will have first class communication skills, both written and verbal, and be bilingual in English and German. You will appreciate the strategic issues and be a pro-active individual with the diplomatic and persuasive skills needed to work effectively in an international, multi-cultural organisation undergoing a period of significant change. A high degree of IT literacy is essential.

The appointment has genuine career path opportunities. As the company operates throughout the world, you must be prepared to travel and overseas postings may subsequently be considered.

Please apply in confidence, giving details of your career and current earnings, quoting reference 0496FT to AAD Executive Selection Ltd., 7 Curzon Street, London W1Y 7FL, United Kingdom, or Fax us on +44 (0) 171 499 6725.

AAD

The Executive Selection Division of The Odgers Group

Corporate Finance Executives

European Investment Bank

Excellent Packages — **City**

Superb opportunities for talented European professionals to join busy corporate finance team of prestigious bank at a time of significant growth. Excellent career development prospects.

THE COMPANY
- Blue-chip European investment bank. Long established. Client focused. Profitable.
- Provides full range of investment banking and corporate advisory servcices including advisory-driven public and private financings, M&A and asset securitisation.
- Corporate finance is a core activity and set to grow significantly. Clear strategy.

THE POSITIONS
- Join successful, highly professional team focusing upon UK and European markets.
- Important roles in growing team. Work closely with Directors on every aspect of deal creation, structuring and execution.
- Take rapid responsibility. Build relationships with clients and colleagues.

QUALIFICATIONS
- Bright graduates with a good degree and further professional qualification; ACA/MBA or European equivalent.
- Fluency in German, French or Spanish ideal. Numerate, with strong financial modelling aptitude.
- Highly motivated, entrepreneurial and ambitious. Excellent interpersonal and communication skills. Ability to absorb pressure. Team players.

Please send full cv, stating salary, ref FS61105, to NBS, 10 Arthur Street, London EC4R 9AY

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Outstanding Opportunities for Ambitious Credit Risk Managers

Credit Risk Advisory Services

PW in London — £attractive

Price Waterhouse is one of the leading international organisations of audit & business advisory, tax and management consultants with over 55,000 people operating in 420 offices around the world. Our Financial Services practice serves many of the sector's top-tier organisations, solving their complex business problems and building valuable, long term relationships.

Our newly appointed Director of Credit Risk Management is creating a high profile team to provide a first-class knowledge base to our practice, and provide advice and support to our clients on a pan-European basis. Well versed in the latest credit risk management techniques you would be joining us at a particularly exciting time in our development with the opportunity to contribute directly to the planning and implementation of our strategy.

A self-starter with proven analytical skills, you will have c. 5-10 years' relevant experience and be looking to extend this by working at the leading edge in a truly international business environment. Remuneration will be competitive and, as a result of our flexible benefit scheme, you will be able to influence its structure to suit your personal circumstances.

Interested candidates should apply, including a comprehensive curriculum vitae, to Charles Macleod, Recruitment Manager at Price Waterhouse, Southwark Towers, 32 London Bridge Street, London SE1 9SY

Price Waterhouse
Your world of opportunity

Price Waterhouse is authorised by the Institute of Chartered Accountants in England and Wales to carry on investment business.

Equity Research

Telecommunications sector/Utilities sector

an opportunity for two top class Graduate Chartered Accountants to move into equity research

Our client forms part of an internationally successful and prestigious Investment Bank. The research team provides first class analytical support to both the investment banking area and the proprietary traders, giving unique and exciting career opportunities for high calibre candidates.

We are looking for two qualified chartered accountants, ideally but not essentially with some sector exposure in either discipline as an auditor or, even better, as a management consultant.

Two or three years' pqe is the likely benchmark and computer literacy of the highest order is a prerequisite as are first class writing skills.

Above all, we will be looking for high levels of energy and enthusiasm and, crucially, a real thirst to learn.

In each case, the salary and benefits package has been designed to suit the best.

Please send a full CV, including current remuneration package and clearly indicating your sector relevance to Malcolm Lawson at:

EXCHANGE
Consulting Group

Exchange Consulting Group, 13 St Swithin's Lane, London EC4N 8AL
Tel: 0171 929 2383 Fax: 0171 929 2805

Appointments Advertising

appears in the UK edition every Wednesday & Thursday and in the International edition every Friday.

For information on advertising in this section please call

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Mannesmann is a global company with sales of DM 32 billion and 120,000 employees in more than 190 countries. The Mannesmann Group, headquartered in Düsseldorf, is active in engineering, automotive technology and telecommunications.

The shares of our Group are spread worldwide. We foster contacts with our investors based on mutual confidence in which openness and credibility play a crucial role.

To strengthen our young, performance-oriented team, we are seeking an

Assistant Manager – Investor Relations

Your tasks will include continued contact with international portfolio managers and financial analysts, as well as preparing, organizing and giving company presentations to institutional investors at the world's leading financial centers. You will work closely with Corporate Accounting and Finance and have direct contact with the Chief Financial Officer.

You should have obtained a very good university degree in business with the major in Accounting and Finance. Some professional experience in the international financial world would be of advantage.

You should be fluent in English and German; good command of another language is desirable.

If you enjoy contacts with people, are highly motivated, and consider the perspectives offered by a global Group as a challenge, please send your complete application to

Mannesmann Aktiengesellschaft
Direktionsabteilung – VDE
z. Hd. Herrn Döltgen
Mannesmannufer 2
40213 Düsseldorf / Germany

We look forward to hearing from you.

MW-60211

MANNESMANN

CAPITAL MARKETS - CENTRAL AND EASTERN EUROPE

Our client, a leading global bank with a network of offices throughout Central and Eastern Europe, is looking to expand significantly its Central and Eastern European origination capabilities by the recruitment of the following three capital markets specialists to be based in the bank's European Head Office:-

JUNIOR EQUITY ORIGINATION

The Position:

- To originate both domestic listings and IPOs (ADRs and GDRs) for companies
  - a) in those countries with well established track records in equity new issuance such as Poland, Hungary and Czech Republic.
  - b) in those countries where equity new issuance is just starting to develop such as the Baltic Republics, Romania and the countries of the former Soviet Union.
- To provide technical back-up to the existing origination team with regard to domestic and international regulatory requirements for equity new issuance.

The Candidate:

- Degree qualified, SFA registered, aged mid to late 20s with a minimum of 2-3 years' experience in global equity origination gained either directly from an origination role or from a due diligence/equity documentation type role. Ideally at least some of this experience will already have a Central and Eastern European focus.
- Strong interpersonal skills with the ability to co-ordinate effectively both with prospective clients and with colleagues from a range of departments internally. Ref: 2184

SENIOR BOND ORIGINATION

The Position:

- To originate the whole range of fixed income product including public eurobonds, global issues, MTNs and private placements amongst
  - a) countries such as Poland, Czech Republic and Hungary which have become regular issuers.
  - b) those countries such as Russia, Romania, Kazakhstan and Uzbekistan which are just starting to issue bonds.
- To originate structured transactions for potential clients utilising the fixed income product range mentioned above in conjunction with the bank's corporate banking and structured finance departments.

The Candidate:

- Degree qualified, possessing a minimum of 3-5 years' experience of originating bond/money market transactions. At least some of this experience will have been focused on Central and Eastern Europe.
- Innovative self-starter possessing strong interpersonal skills with the ability to work to tight deadlines.
- Fluency in at least one other European language in addition to English helpful but not essential. Ref: 2185

SENIOR M & A ORIGINATION

The Position:

- Originator of Central and Eastern European M & A advisory business (including privatisation and private placement of equities) together with subsequent execution of transactions in a small team of Central and Eastern European advisory specialists
- Co-ordinator between the bank's regional specialists located throughout Central and Eastern Europe and sector specialists in its Head Office in Europe.
- Marketer to the bank's existing client base of leading corporate clients in Europe and of prospective corporate clients in Central and Eastern Europe.

The Candidate:

- Minimum of 5-8 years' general M & A experience gained from working in either merchant/investment banking exclusively, or in a combination of banking and management consultancy. Ideally at least some of this experience will have been focused specifically on Central and Eastern European M & A.
- Previous experience in valuation and market analysis in one or more of the following sectors is prerequisite: transportation, food and beverage, media, utilities and financial services. Ref: 2186

Salt Chapman Associates

All three positions provide highly competitive salary and benefits packages including good bonus potential. For the right individuals, career prospects within this leading global bank, which has a strong commitment to the emerging markets, are considerable.

To apply, please telephone or write to Neil Salt,
Salt Chapman Associates, International Search and Selection, 41 Dover Street, London W1X 3RB.
Tel: 44-(0)171-493 1319. Fax: 44-(0)171-493 0835

ASSISTANT FUND MANAGER ASIAN EQUITIES (EXCEPT JAPAN)

Permanent position — **Salary + Bonus + Benefits + Relocation Assistance**
Montréal

The Caisse de dépôt et placement du Québec manages assets totalling US$37 billion, including the largest equities portfolio in Canada.

Reporting directly to the Fund Manager–Asian Equities, the Assistant Fund Manager will co-manage an in-house Asian equities portfolio (except Japan). The successful candidate shall possess a university degree, preferably in Finance, and a minimum of five years' experience as an equities analyst of Asian companies, other than Japanese. He shall demonstrate strong analytical, synthesis and communication skills. This position requires proficiency in English, and given the work environment, communication skills in French, which may be acquired within a reasonable period after hiring.

Applicants interested in taking up this challenge should forward their CV in confidence to: Human Resources, CAISSE DE DÉPÔT ET PLACEMENT DU QUÉBEC, 1981, avenue McGill College, Montréal (Québec) Canada H3A 3C7.

We offer equal employment opportunities.

TRADER CRUDE OIL/ PETROLEUM PRODUCTS

A London based oil trading house is seeking to recruit an experienced trader to handle the sourcing of crude oil and products from the former Soviet Union.

Our business is the trading of physical oil on a world wide basis and although we already handle a considerable volume of Russian oil, we are now looking to augment our team to further expand our business in this section of the market.

The position is based in London but will include extensive travel, often at short notice, to the CIS and elsewhere. We are seeking a results driven and highly motivated man or woman with experience in handling crude and products in the CIS. Applicants must be fluent in Russian, and preferably other languages.

A competitive salary and benefits package is offered.

Please write with full education and career history, including current salary, to Box A5927, Financial Times, One Southwark Bridge, London SE1 9HL

TRAINING CONSULTANTS REQUIRED

Company seeks freelance training consultants with minimum two years capital markets experience, preferably in fixed income/derivatives or securities finance. Excellent oral and written communication skills a must, training experience preferred.

Please send CV outlining areas of knowledge and/or market experience to:

Box A5926, Financial Times, One Southwark Bridge, London SE1 9HL

Mergers & Acquisitions, Kapitalmarkt- und Aktien-Research, Portfolio-Management, Konzernfinanzierung, Risikocontrolling

– und doch keine Bank

Für all diese und weitere Aufgaben ist das Ressort Finanzen unserer Holding verantwortlich. Hier wird das Finanzgeschehen im In- und Ausland gesteuert. Hier sorgen hochqualifizierte Mitarbeiterinnen und Mitarbeiter dafür, daß die Allianz AG eine der ersten Adressen auf den internationalen Kapitalmärkten ist und bleibt. Wir brauchen Verstärkung in unseren Teams und suchen als Referentinnen und Referenten für die Abteilungen Industriebeteiligungen, Corporate Finance, Finanzplanung und -controlling und Research & Investor Relations

Wirtschaftswissenschaftler/innen, Mathematiker/innen und Juristen/innen mit Prädikatsexamen.

Sehr gute Englischkenntnisse, EDV-Erfahrung, Teamgeist und analytisches Verständnis sind für diese Aufgaben unverzichtbar. Darüber hinaus sind ein Auslandsstudium, eine weitere Fremdsprache, Promotion, Banklehre oder erste Berufspraxis von Vorteil.

Sie werden in Ihre abwechslungsreiche Tätigkeit sorgfältig on-the-job eingearbeitet. Attraktive Konditionen und vielfältige Entwicklungsmöglichkeiten sind für unser dynamisch wachsendes Unternehmen selbstverständlich.

Überzeugen Sie uns von Ihrem fachlichen und persönlichen Potential – schicken Sie Ihre Bewerbungsunterlagen bitte mit Angabe Ihrer Gehaltsvorstellung an:

Allianz Versicherungs-AG, Kennziffer 53/96, Personalabteilung, Königinstraße 28, D-80802 München (Germany)

Allianz

Carnegie

Outstanding Opportunities in Nordic Equity Sales & Research

£Excellent + Bonus + Benefits

Carnegie is a leading Nordic investment banking and asset management group with strong positions in equity broking in Denmark, Finland, Norway and Sweden, both locally as well as cross-border through offices in London and New York, and is also one of the major bond brokers in Denmark. Carnegie is the leading independent corporate finance advisor in Sweden with growing activity in the other Nordic countries. The asset management and private banking business for selected institutions and private investors currently has SEK 16bn under management. Carnegie employs more than 400 professionals in 9 offices in 7 countries. Singer & Friedlander Group PLC owns 55% of Carnegie, while the remaining 45% is held by Carnegie employees.

After a build-up phase over the past two years involving substantial investment in IT and personnel, Carnegie's Nordic Research Department now comprises 40 financial analysts providing in-depth research of some 300 Nordic companies - from blue chips to small caps. Furthermore, in-depth industry research is provided through the sector teams set up to cover 12 major sectors, while a team of five economists offers global and domestic macroeconomic research.

As a consequence of the recent upgrading of our research as well as our London operations we are now looking to recruit the following sales and research professionals:

NORDIC EQUITY SALES - LONDON

We are seeking experienced equity sales people with good contacts to UK institutional clients as we will be increasing the marketing of our improved and upgraded research product. You should ideally have several years of experience in equity sales and exhibit an in-depth knowledge of Nordic equities and companies. You are a proven business winner with a relevant contact base among UK fund managers. You should have first-class communication skills and be able and willing to effectively work independently and in a team. Fluency or proficiency in any one of the Scandinavian languages is an advantage.

NORDIC ANALYSTS - LONDON

We are seeking Nordic analysts to work in London. You will be our dedicated analyst on a Nordic market, working closely with our local analysts and the cross-border sales people to identify, research and market original and exciting investment ideas to our international client base. You must be able to demonstrate in-depth analytical and high-quality report writing and verbal communication skills. You must be highly motivated and able to work independently and in a team. You are already working in a similar capacity in either London or Scandinavia and have the necessary experience as well as an appropriate educational background.

FINANCIAL RESEARCH MODELLING - SCANDINAVIA/LONDON

We are looking for a numerate professional combining in-depth IT knowledge with a strong equity research interest to work with financial modelling, information and decision support systems for our analysts. You can have either an IT or an equity research background, combining in-depth knowledge and extensive experience in one area with a keen interest and high ambitions in the other. You will, in close co-operation with our analysts and IT people, develop and support relevant decision & information support systems, databases, valuation and other financial models etc.

NORDIC RESEARCH EDITORS - LONDON

We are looking for editors to complement our current team of London-based Nordic research editors. You will be instrumental in helping the analysts communicate their investment ideas to investors with clarity and vision. As all our research is currently produced in English the job mostly involves editing, although you will sometimes have to do complete rewrites. Fluency or proficiency in any one of the Scandinavian languages is a distinct advantage as is journalistic or investment writing experience.

For a confidential discussion and further details on the above sales appointments, please contact Per Munk-Nielsen or Arve Nilsson, Co-Heads of the Nordic sales desk in London, on 0171 216 4082 or 216 4034 or apply with CV to Per Munk-Nielsen/Arve Nilsson, Carnegie, 24 Chiswell Street, London EC1Y 4UE.

For a confidential discussion and further details on the above research appointments please contact: Tommy Erixon, Group Head of Nordic Research, tel. 0171 216 4099 or +46 8-676 8699 or apply with CV to Tommy Erixon, Carnegie, 24 Chiswell Street, London EC1Y 4UE.

SHEPHERD LITTLE

Morgan Grenfell Development Capital

Outstanding opportunities in Development Capital

Morgan Grenfell Development Capital (MGDC) is the global private equity business of Deutsche Morgan Grenfell, the investment banking arm of Deutsche Bank. Established in 1989, it is recognised as one of the UK's leading arrangers and financiers of management buy-outs. With funds available for investment in Western Europe in excess of £500 million and a team with a proven track record of successful deal origination and execution, MGDC is positioned to expand its operation.

To complement the existing team, two high calibre, ambitious individuals are sought with the ability, energy and talent to succeed in a stimulating, competitive and dynamic environment.
The successful candidate will be involved in all aspects of the private equity investment business: generating and analysing investment opportunities; conducting due diligence and managing professional advisers; negotiating, completing and managing investments.

Aged 25-30, applicants for these positions must be graduates with around four years experience gained within industry, consultancy, venture capital or a related field. Commercial awareness, analytical and interpersonal skills are essential together with a demonstrable ability to work with and influence senior management. The remuneration package will be highly competitive, commensurate with background and experience.

London November 1996

Interested candidates should contact **Annabel Haywood** or **Tim Smith** on **0171 269 2318** or write to them enclosing full curriculum vitae at **Michael Page City, Page House, 39-41 Parker Street, London WC2B 5LH.** Fax **0171 405 9649**. Please quote reference **320427.**

Deutsche Morgan Grenfell

National Bank of Bahrain

بنك البحرين الوطني

National Bank of Bahrain is a leading commercial bank based in Bahrain in the Arabian Gulf with assets of over US$2 billion. As a part of the Bank's plan to consolidate operating performance through better utilisation of its existing assets and selective expansion, NBB invites applications from outstanding investment professionals for the position of:

SENIOR PORTFOLIO MANAGER

Major responsibilities

- Function as a senior member of the portfolio management & security trading team and manage part of the Bank's fixed income portfolio in major currencies.
- Evaluate investment opportunities, formulate strategies and tactics to benefit from market movements.
- Demonstrate a dynamic assets allocation approach and the ability to implement hedging techniques to protect asset values.
- Achieve earnings targets in portfolio management & security trading.
- Co-ordinate with external fund managers and develop strategies that maximise return on assets.

Position requirements

- University Degree.
- At least ten years' relevant professional experience in portfolio management and securities trading in major currencies including a successful track record of managing a similar profit centre in an international financial institution.
- Thorough knowledge of and experience in derivative products and markets. Complete familiarity with information and communication systems relevant to investments and trading with the skills to perform in an automated environment.

NBB offers an excellent tax free compensation package with additional expatriate benefits. Please forward your application to **Senior Manager - Personnel Administration, National Bank of Bahrain, P.O. Box 106, Manama, Bahrain.**

QUANTITATIVE ANALYST
Fixed Income

Competitive Salary + Banking Benefits **City**

Our client is the London based European Head Office of one of the world's leading securities houses with a global network of offices spanning 24 major financial centres.

A position has arisen for a Quantitative Analyst to join the Fixed Income Research Department. The role will require the ability to work with a team of economists to provide model based asset allocation recommendations, yield curve analysis and originate specific bond market recommendations.

Applicants should be educated to degree level or beyond in either mathematics, finance or another quantitatively based science discipline and should have at least two years of relevant market experience. The applicant will be extremely articulate with an ability to express complex strategies and concepts in a clear and precise manner.

This is a tremendous opportunity for an energetic, personable, confident and proactive individual.

The salary and benefits package will be competitive and consistent with securities industry practice. To apply in complete confidence please write with your CV to Hogarth Davies & Lloyd, Executive Search and Selection, Halton House, 20-23 Holborn, London EC1N 2JD quoting reference PCA24 Tel: 0171 404 7440 Fax: 0171 404 7663

HOGARTH DAVIES & LLOYD
EXECUTIVE SEARCH AND SELECTION

RISK MANAGEMENT

Kensington **Attractive salary + financial sector benefits**

Visa cards are the most widely-held and accepted payment cards in the world, and the closest thing there is to a universal currency. Visa International, one of the world's largest brands, provides the products, services and systems to its 20,000 member financial institutions across the globe.

Risk Management is a key function within Visa International, and we are looking for an experienced card payment systems professional to concentrate on acquirer risk management programmes within our Central and Eastern Europe, Middle East and Africa (CEMEA) Region. You will have a strong knowledge of risk identification and monitoring processes, and a good understanding of the measures needed to enable members to operate effectively in minimising risk and reducing fraud.

This is a hands-on role, demanding both strong analytical and personal communication skills. An important part of the role is providing on-site reviews and consultancy to acquirer banks, and recommending and driving the action plan to improve performance. This requires considerable business acumen, influencing skills, and cultural sensitivity, and a willingness to travel within the CEMEA region on a frequent basis. Excellent spoken and written English is essential, and fluency in another language relevant to the region would be an advantage.

This is a critical, visible role where success could lead to a range of career opportunities within the Visa organisation.

To apply, please send full details of your career and current salary, quoting Ref: 1594, to our advising consultant, Diana Cubberley, at Regent Consulting, Regent House, 59 Castle Street, Reading, Berkshire RG1 7SN.

VISA

Head of Polish Research

WARSAW

Société Générale is a top tier global investment bank with an extensive European office network. Its research, trading and sales operations for equity and equity-related securities in Central/Eastern Europe and CIS is conducted through Société Générale European Emerging Markets Limited. They are currently seeking to hire a Head of Polish Research to manage, expand and develop the existing research team in Warsaw.

THE ROLE

- To provide multi-sectoral research for the corporate finance department and for investment clients.
- To provide high quality and detailed written company and sector research, and monthly notes.
- Provide outstanding written evaluations and forecasts.
- Develop external relationships at senior level.
- To market the bank's products.

THE CANDIDATE

- Will be a graduate and an experienced equity research professional.
- Will have an excellent understanding of the secondary market.
- Will have excellent market contacts/network and a good understanding of the Polish marketplace.
- Proven analytical skills and a high degree of numeracy.
- Strong interpersonal and client development skills.
- Must be fluent in English. Polish would be an advantage.

With 45,000 employees worldwide, 2,000 branches in France and 500 outlets in more than 70 countries, Société Générale, International banking group is active in every sector of banking and finance

GENERALE

Société Générale is regulated by the Securities & Futures Authority

Michael Page City
International Recruitment Consultants
London Paris Frankfurt Hong Kong Singapore Sydney

If you are interested in this senior position, which represents an excellent opportunity for an ambitious and dynamic individual to join a major investment bank, please contact Sarah Lee at Michael Page City on 0171 269 2307 or fax 0171 405 9649. Alternatively, write to her at Page House, 39-41 Parker Street, London, WC2B 5LH. Please quote reference number 314345 in all correspondence. All applications will be treated in the strictest of confidence.

Your Key Investment Bankers.

SBC Warburg
A DIVISION OF SWISS BANK CORPORATION

Project Finance

SBC Warburg is universally recognised as a leading force in global investment banking. The Bank is committed to the expansion of its Project Finance Group, which focuses on providing advice and funding for projects in power, infrastructure, telecommunications and natural resources worldwide. The continued success of the group has created a number of exceptional opportunities to join this successful and prestigious team in London.

Associate Director

- Negotiate, structure and execute transactions.
- Provide advice to clients on financial structures, risk analysis and commercial proposals.
- Market the Bank's services to public and private sector entities.

Candidates should have at least 4 years' relevant experience, gained within an advisory or lending environment and have seen a complete deal cycle.

Associate

- Evaluate and assess projects, build and develop cash flow valuation models and analyse sensitivity.
- Prepare sector analysis to support the development of new business opportunities.
- Prepare bid tenders and presentations for clients.

Candidates should have strong cash flow modelling and financial analysis skills and preferably 2-3 years' experience in a financial environment.

Applicants for these positions must have a strong academic background, outstanding interpersonal skills and have gained experience from well recognised institutions. These are superb opportunities to work with a market leader, where individuals will benefit from genuine career prospects and excellent remuneration packages.

Interested candidates should contact Mark Pettman or Tim Smith on 0171 269 2313, or write to them enclosing a full CV at Michael Page City, Page House, 39-41 Parker Street, London WC2B 5LH. Fax 0171 405 9649, quoting ref 320156.

MAJOR INTERNATIONAL OTC/PHARMACEUTICAL GROUP

GENERAL MANAGER/MARKETING DIRECTOR, HUMAN NON-PRESCRIPTION BRANDS

Excellent remuneration **RUSSIA & CIS**

This company is a world leader in the research, development, sales and marketing of pharmaceuticals and non-prescription medications and products. It is one of the most successful companies in the pharmaceutical industry, enjoying worldwide recognition for its products. Its operations in the Russian market are already well established and they currently have a staff of some 40 employees.

The Position

- To maximise existing and future non-prescription sales and profit opportunities through direct OTC marketing.
- Ensure the long-term growth of the PSO (Pharmacy Sales Only) business through focused non-prescription product development.
- Develop, recommend and initiate national action plans in order to accelerate OTC/PSO growth in the regions and to create new PSO/OTC marketing opportunities for each brand.
- Develop and recruit local marketing staff.

The Requirements

- Background in marketing of OTC and related products.
- Fluency in both English and Russian languages is a must.
- Experience in emerging markets, ideally in Russia.
- Probably aged 32 - 45.
- Real vision, creativity and leadership skills, with the determination to succeed in a demanding and fast-moving environment.
- Expatriate or repatriate.

Please send your CV with current salary details to: Jonathan Hart, K/F Selection, Všehrdova 2, CZ-118 00 Prague 1, Czech Republic. Alternatively, send by fax on: +42 2 532 932.

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Investment Banking Division

Oil & Gas Executive

Deutsche Morgan Grenfell, the investment banking arm of Deutsche Bank, one of only a few AAA rated banks in the world, operates in over 30 countries with over 8,000 staff. Its oil and gas group is independently rated as the leading European based adviser on energy disposals, mergers and acquisitions.

The oil and gas group is seeking an additional Executive. The group provides advisory services to oil industry clients on acquisitions, divestments, financing and other corporate finance related matters. The role will entail research, analytical and valuation work, and will involve client contact.

Applicants should be graduates with 2-5 years' relevant experience; preferably of investment appraisal, cashflow evaluations and economic analysis gained in a business planning/analyst role in the oil industry or in the financial sector. A knowledge of the UK oil taxation regime would be helpful. PC and financial modelling skills are essential, as is the ability to communicate effectively both orally and in writing.

The position is based in the City of London and offers an attractive remuneration package.

London November 1996

Interested candidates are requested to send comprehensive CVs to: Andrea Rothmund, Personnel Department, Deutsche Morgan Grenfell, 23 Great Winchester Street, London EC2P 2AX.

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European Investment Bank

A career in the heart of Europe

The EIB, the financial institution of the European Union with more than ECU 100 billion assets, is currently seeking for its Finance Directorate in LUXEMBOURG a (m/f)

Capital Markets Officer

Duties: Assist the operational head of division on the markets for which he/she is responsible, in particular: • Preparation and negotiation of capital market operations; • Liaison with the banking sector in the countries or markets concerned and with the appropriate monetary and financial authorities; • Monitoring of the primary and secondary markets in the countries and the sectors concerned; • Research on relevant markets concerning financing structures and appropriate financial instruments; • Preparation of issue documentation; • Preparation of notes and statistics.

Qualifications: Candidates should possess a university degree and several years of banking experience in the field of primary and/or secondary capital markets is required, as well as sufficiency in mathematics and computer applications. Ample experience in both currency and interest-rate swaps and other financial OTC instruments is required.

Languages: Very good command of either English or French and knowledge of the other. Knowledge of a third Community language would be an advantage.

The EIB offers attractive terms of employment and salary with a wide range of welfare benefits. Applications for this post are sought from both men and women.

Applicants, who must be nationals of a Member Country of the European Union, are invited to send their curriculum vitae, in English or in French, together with a letter and photograph, quoting the appropriate reference, to:

EUROPEAN INVESTMENT BANK,
Recruitment Division (ref.: FI/C9611),
L-2950 LUXEMBOURG. Fax: +352 4379 2545.

Applications will be treated in the strictest confidence and will not be returned.

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Andrew Skarzynski on +44 0171 873 4054

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EASDAQ

THE EUROPEAN STOCK MARKET

EASDAQ is a European stock market which is liquid, efficient and fair, where fast growing companies with international aspirations can raise capital from interested investors. EASDAQ is fully operational as of 30 September 1996. EASDAQ is a screen-based stock market enabling companies, intermediaries and investors to have direct access wherever they are located. Trading is safe and cost-effective, and companies benefit from a broad range of European investors.

As we are growing our business, we would like to fill the following position, based in Brussels:

Surveillance & Regulation Executive

JOB PROFILE
- Responsible for maintaining the day to day integrity of EASDAQ from trading through to settlement.
- Specify and develop surveillance systems and procedures which will enhance market integrity.
- Identify and report upon suspected insider trading, manipulation or other market abuses.
- Enforce the EASDAQ market rules and regulations.

REQUIREMENTS
- Fluency in English and at least one other European language.
- Several years of working experience in a similar environment and a reputation for integrity.
- You are probably in your early thirties, are computer literate, have analytical skills and a strong sense of professional pride.

Please write in confidence, with full career and salary details, to:
Anthony Preece, Head of Market Operations, EASDAQ
Rue des Colonies 56 box 15, 1000 Brussels, Belgium

Corporate Finance

Arab National Bank is a major Saudi Arabian bank, headquartered in Riyadh. The Bank, with total assets of over US$ 8 billion, offers a full range of banking services covering; Retail, Corporate, Treasury and Private Banking. Through a network of 120 branches (including London) the Bank has built a reputation for prudence combined with the innovative use of state-of-the-art banking technology.

Our recently established Corporate Finance unit provides advisory and transaction services to an expanding corporate client base. To meet growing demand the Bank now wishes to appoint a Senior Corporate Finance Executive, reporting to the Head of Syndications and Corporate Finance. The person appointed will be given responsibility for the further development of our emerging M&A related advisory business.

The ideal candidate will be either a qualified Accountant and/or MBA with not less than five years' relevant experience in Merchant Banking or with a major accounting practice. He should be a self-starter capable of working with minimum supervision and with the ability to initiate, structure and close transactions. The position will be based at our Head Office in Riyadh. An excellent package, including tax-free salary and full expatriate benefits, will be available.

Initial interviews will be held in London.

If you believe that you meet the requirements for this challenging position please write, enclosing your C.V. to:

General Manager
Arab National Bank, P.O. Box 2LB,
47 Seymour Street, London W1A 2LB
Telefax 0171 465-0419.

BANK OF ENGLAND

Quarterly Bulletin Editor
Full or Part-time London Based

The Bank of England is looking for someone with a general economics background and some knowledge of desktop publishing to edit its Quarterly Bulletin.

The Quarterly Bulletin is one of the Bank's three regular publications and is highly regarded by economists throughout the world.

The jobholder will also manage a small production team which produces the Bulletin, the Inflation Report and some other Bank of England publications. They will be expected to help develop the marketing of the Bank's publications.

The ideal applicant will write well, have an eye for presentation and layout, and be able to demonstrate that they can maintain high standards of accuracy. They will also need to have a good grasp of basic economic principles. They will have to show us that they can work in and manage a team, and that they have the necessary flexibility to allocate their working time across each quarter to cope with tight publishing deadlines.

Salary and benefits will be competitive. We would welcome applications from those who are looking for part-time employment and who would be willing to job share. We would also consider secondments from private sector or other public sector organisations.

Please apply in writing with a full CV to:
Tim Kidd, Monetary Stability Personnel Unit,
Bank of England, Threadneedle Street, London EC2R 8AH,
by 13 December 1996.

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Schroders

Supervisory Analyst

London **Competitive Package**

This is an outstanding opportunity for a Supervisory Analyst to join the London office of Schroder Securities. Our International Equity business has grown in size and reputation significantly in the last twelve months and you would be responsible for reviewing all non-US research reports distributed by our New York sales force.

You may already be a Supervisory Analyst, with your NYSE Series 16 qualification, or you may be an analyst with at least three years' relevant experience who is seeking a career move. You must have excellent analytical and editing skills, a strong intellect, well developed inter-personal skills and the ability to work to extremely tight deadlines in a pressurised and challenging environment.

A generous remuneration and benefits package will be available, commensurate with the candidate's experience and qualifications.

Interested applicants should write, enclosing a full CV, to
Rachel Harry, Schroders, 120 Cheapside, London EC2V 6DS.
Applications may be sent by fax on 0171-288 2681.

RZH

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CITY **EXCELLENT PACKAGE**

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A forthcoming move to new City offices has created the opportunity for the right candidates to join a growing team who are dedicated to providing a first class fund management service which benefits from the provision of in-house research and a highly efficient back office.

In the first instance please write to:

The Chief Executive
Raphael Zorn Hemsley Ltd
10 Throgmorton Avenue
London
EC2N 2DP

All correspondence will be treated in the strictest confidence

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AAA-rated **City**

The London Branch of BAYERISCHE LANDESBANK is recruiting a

Head of Risk Management

This is a new position within the Branch, reporting to the Chief Executive.

Responsibilities include risk management and control for the Branch. As a senior member of the Asset and Liability Committee the individual will liaise with Head Office and assist in the development of new products.

The right candidate will be a highly motivated self-starter with the following qualifications/experience:

* University degree or accountancy qualification
* Minimum of 3 years' experience in treasury risk management
* Proven management and interpersonal skills
* Excellent written and oral communication skills
* Good working knowledge of systems
* German language skills a plus but not essential.

Please reply with C.V. giving full details of career to:
The Personnel Manager, Bayerische Landesbank, Bavaria House, 13/14 Appold Street, London EC2A 2AA.

Bayerische Landesbank
Girozentrale

Elcon Securities AS

Owned by Gjensidige Forsikring, the second largest insurance group in Norway, Elcon Securities AS is a full-service securities firm with 50 employees. Elcon Securities enjoys a leading position in the Norwegian capital markets. The company is experiencing significant growth both domestically and abroad and is now looking towards further expansion in the UK market. We therefore seek

HEAD OF INTERNATIONAL EQUITY SALES

The right candidate is 30-40 years old, has at least 3-5 years proven experience in selling equities and working in direct contact with large institutional investors. An established client base in the UK is required, and some knowledge of the Norwegian stock market is desirable.

The new head of international equity sales will lead a sales team in Oslo and have responsibility for developing and expanding Elcon's presence in the UK market.

An attractive compensation package is offered to the right candidate.

Please send your CV to Elcon Securities AS, c/o Geir Stenseth, PO Box 153 Sentrum, 0102 Oslo, Norway.

Any questions may be placed to Geir Stenseth (ph. +47-22.29.74.71 after 6 pm) or Stein Hansen (ph: +47-67.59.08.47 after 6pm).

Postal address	Telephone	Telefax
Elcon Securities AS PO Box 153 - Sentrum N-0102 OSLO NORWAY	+ 47 22 33 02 40	+ 47 22 41 89 81

ROWE PRICE-FLEMING

EUROPEAN EQUITY INVESTMENT ANALYST

Rowe Price-Fleming, a large international manager of US sourced assets, are seeking a European Equity buy side analyst to join their focused team.

•

The ideal person should have a proven understanding of accounts and a minimum of two years in financial analysis. A motivated out-going personality is essential. Languages would be a plus.

•

In the first instance, please write with full CV and salary details to:

George Brown, Personnel Director
ROBERT FLEMING & CO. LIMITED
25 Copthall Avenue, London EC2R 7DR

Council of Europe
Conseil de l'Europe

OBSERVATOIRE EUROPÉEN DE L'AUDIOVISUEL
EUROPEAN AUDIOVISUAL OBSERVATORY
EUROPÄISCHE AUDIOVISUELLE INFORMATIONSSTELLE

European Audiovisual Observatory- focal point for information on the audiovisual sector

Established in 1992, the European Audiovisual Observatory is a unique public service organisation dedicated to gathering and distributing information on the European audiovisual sector. Thirty-three European States and the European Commission are members of the organisation. The Observatory functions within the legal framework of the Council of Europe in Strasbourg, France, and carries out its mission with a European-wide network of partners, correspondents and professional organisations. The Observatory publishes legal, market and resources-related information regarding cinema, television, video and new media. The Observatory is the widest European information network in its field. The European Audiovisual Observatory seeks a new Executive Director to lead a committed team of highly qualified international experts. He or she will be accountable to the Observatory's Executive Council for the services, operations and financial management of the organisation. He/she will be in charge of the management of the network and of the maintenance of contacts with professional organisations and administrations. Applicants should have a university degree, extensive professional experience at a high level in the audiovisual sector combined with a sound management record and thorough understanding of future developments related to the European audiovisual sector. Proven ability to manage and motivate staff is a must. Very good knowledge of one of the two official languages of the Council of Europe (English-French) and good knowledge of the other is required. Practice of German (a working language of the Observatory) and of other European languages would be an advantage. Further information, including the official vacancy notice and an application form (to be returned by 6 January 1997), is available from the Council of Europe, Human Resources Division (Recruitment), 67075 Strasbourg Cedex France (ref. 120/96). Please send a self-addressed envelope (23x32 cm; no stamp required).

Executive Director m/f

UNIT TRUST SALES

Our client is the investment management arm of one of the largest banking groups in the world.

As a result of continuing growth they are now looking for a high calibre individual to sell a range of unit trusts to IFA's, stockbrokers and institutions, within the UK.

Along with a strong investment sales background, the ideal candidate will have a proven and demonstrable track record of sales success and possess excellent presentation skills.

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SHEPHERD LITTLE

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Major Plc – Fund Management

c.£35,000 + Benefits **City**

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THE COMPANY
- Highly profitable UK-based fund management group. £15bn global assets under management.
- Strong reputation for investment performance. Diverse UK and international portfolio.
- Well respected finance department with extensive commercial involvement.

THE POSITION
- Full budgeting, reporting and business analysis responsibility for major operating division. Work extensively with senior operational management.
- Recommend revenue enhancement and cost control initiatives across the business. Develop accounting processes and KPIs.
- Project involvement to include tender support, systems development and review of capital expenditure proposals.

QUALIFICATIONS
- Qualified accountant; Chartered preferred. Graduate with impressive record of academic achievement.
- Four to six years' experience gained either in practice, commerce or financial services. Financial reporting exposure, coupled with strong commercial acumen essential.
- Highly ambitious and a motivated team player. Excellent interpersonal skills. Able to communicate effectively at all levels.

Please send full cv, stating salary, ref LG61105, to NBS, 54 Jermyn Street, London SW1Y 6LX

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DeLaRue

Manager - Financial, Planning and Analysis

Basingstoke **c.£47,500 + Car + Bonus**

De La Rue plc is the largest commercial banknote and security printing company in the world. It is a major supplier of all equipment and related services for cash handling and electronic transactions. Following international growth through acquisition and investment, the group's turnover is in excess of £760m and it is poised for further expansion. A newly created role now exists for a dynamic and progressive finance professional within a key operating division. Seen as a senior entry point into the group, career progression is guaranteed.

THE COMPANY
- Cash Systems Division; autonomous, high profile with a turnover of £396 million
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- Customer focused; a total solution provider to banking, retail, leisure and transport clients globally
- Creative and innovative; at the forefront of technological advancement
- Dynamic and entrepreneurial environment
- Highly profitable; continued growth potential

THE ROLE
- Direct reporting to the Divisional Finance Director; senior level liaison with operational management
- Identification of key performance indicators and profitability analysis of 15 subsidiaries
- Proactive management of divisional working capital reduction programme
- Coordination and analysis of financial forecasts and annual budgets
- Strategic planning, influencing the direction of the division

THE PERSON
- Age 28-33; graduate ACA/ACMA/ACCA with first class academics
- Minimum two years industry experience within a blue chip multinational
- Strong analytical skills coupled with commercial acumen
- Proven track record of achievement to date
- Strategic capability; management presence
- Potential and drive to succeed in a demanding environment

If you would like to discuss this role which offers relocation assistance if necessary, please contact our advising consultants: Sharmila Sharon Parekh or James Heath at Executive Match on 0171 872 5544, or fax attaching your CV quoting ref. F/833 to:

EXECUTIVE MATCH
1 Northumberland Avenue,
Trafalgar Square,
London WC2N 5BW.
Fax 0171 753 2745
All direct applications will be forwarded to Executive Match

BRADFORD & BINGLEY
BUILDING SOCIETY

Financial Controller

c.£80,000 + Car + Benefits **Yorkshire**

The UK's fifth largest building society, with £17bn of assets, is committed to mutuality. During 1996 the society has aggressively pursued this policy by putting more money in the hands of its members through increased returns and reduced interest rates. A new Chief Executive is leading a period of rapid change in this 250 branch, 353 agent and 4000 staff organisation. The present controller is approaching retirement and therefore a successor is required to assist the Finance Director with the continued development of a first-class finance function. Future promotion prospects are excellent.

THE ROLE
- Deliver accurate and timely management information and financial control for core business and subsidiaries, including full budgetary process. Develop strong relationships with all other functions.
- Lead, motivate and develop team of 70 staff; drive business and customer focus. Work closely with Finance Director on strategic issues.
- Make full contribution at senior management level and in cross functional teams. Champion continuous improvement of internal and external customer service.

QUALIFICATIONS
- Qualified Accountant. Background in demanding, change-driven, highly commercial environment: fast-moving retail, financial services or manufacturing sectors.
- First-class communicator. Excellent people management skills; track record of leading teams in excess of 30.
- Energetic, bright and ambitious. Natural change agent with commercial edge and internal selling skills.

Please send full cv, stating salary, ref LD61106, to NBS, Yorkshire House, Greek Street, Leeds LS1 5SX

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SENIOR FINANCIAL ANALYST

European Growth

Bristol

£40-45,000, car, benefits

As a market leader with a highly regarded, international portfolio of branded goods, our client enjoys a strong presence throughout Europe.

The next stage in Europe's growth and development has generated the need for this high profile role. Specific responsibilities include:

- Develop and implement planning and budget models for European operating companies
- Consolidate information for monthly European Finance report
- Promote best practice within European Finance functions
- Provide key information and support to Sales and Marketing to enable the business to grow profitably and successfully

The variety of work in this demanding environment coupled with the exposure across commercial functions and diverse European business cultures necessitates flexibility and strong presentation skills as well as commercial maturity and credibility. Likewise, communication and particularly influencing skills are vital. As a qualified accountant, previous experience of financial planning and analysis within a fast moving, preferably consumer driven, organisation is essential. A second European language is desirable but not vital.

The ability to progress within the wider organisation on successful completion of the role is crucial.

Interested candidates should write with full CV, quoting current rewards package to Karen Wilson, Hoggett Bowers, 7-9 Bream's Buildings, Chancery Lane, London EC4A 1DY, Tel: 0171 430 9000, Fax: 0171 405 5995 quoting ref: HKW/7563/FT.

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THE PSD GROUP

FINANCIAL DIRECTOR

c£75k + car + attractive benefits package

Eastleigh

Allders International, part of the Swissair Associated Companies, has an outstanding opportunity available at Financial Director level. Within Europe, the Company trades across 6 countries via joint ventures, business agreements and concession arrangements, and development is likely to continue globally. European turnover will be in excess of £350m in 1997.

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- senior management responsibility in performance monitoring of the business
- new business strategy
- contract/tender preparation
- heading a professionally qualified finance function, IT Department and Customs & Stock Control Department.

You will need:

- to be Graduate ACA qualified
- to have at least 8 years' experience in a finance or management role in a commercial organisation
- previous international experience, ideally along with concessionaire and retail experience, is desirable.

In return, we can offer an excellent salary and benefits package associated with an international organisation of our size and reputation.

To apply, please send your cv to Stuart Sandler, Managing Director – Europe, Allders International UK Limited, 84-98 Southampton Road, Eastleigh, Hampshire SO50 5ZF

Swissair Associated Companies Ltd.

IBCA

EUROPE'S LEADING RATING AGENCY

BANK ANALYST

Native Russian speaker with excellent written and spoken English required. Candidates must be qualified ACCAs with one of the Big Six international accounting firms and have at least one year's experience in auditing Russian companies, including financial institutions and banks.

Write in confidence with full C.V. to the Managing Director.

IBCA is the leading European rating agency, currently covering 500 banks worldwide and over 100 European corporations. As a result of expansion we are seeking an additional analyst. The position involves travel, contact with senior officers of banks, preparation of high quality credit reports and advising clients on the credit status of rated entities. IBCA's growth offers candidates the ability to become acknowledged experts in the field of rating assessment.

The successful applicant will be able to communicate well both orally and in writing and will be capable of confidently representing the firm in a professional manner at meetings with senior management of rated entities. Salaries will be competitive and commensurate with qualifications and experience, and the company offers a generous range of benefits.

IBCA Limited

Eldon House, 2 Eldon Street, London EC2M 7LS

ACQUISITIVE EUROPEAN MARKET LEADER

Financial integration and process improvement manager

London **c£50,000 + bens**

GE Capital is one of the world's largest and most successful financial services companies. Setting and regularly exceeding ambitious growth targets, the company has acquired on average one European business every fortnight during the past two years. One of GE Capital's highly successful businesses, Consolidated Financial Insurance (CFI) is the leading player in its niche market both in the UK and Europe. Aiming to be one of the top five players worldwide by the year 2000, premiums of over $1 billion last year and continuing expansion put CFI well on track to achieve this target.

Exceptional growth needs an exceptional finance specialist to join CFI's team. Reporting to the Finance Director, responsibilities include:

- identifying and implementing financial process improvements;
- integration of recent and new acquisitions;
- driving high-impact change projects;
- improving efficiency of financial reporting and control;
- adopting best practice from within GE and industry sources.

This is a pro-active role requiring broad exposure to business and process improvement. Candidates should be qualified accountants or MBAs with seven to ten years finance experience and strong leadership skills. Other essentials include a change agent mindset, the ability to inspire confidence at all levels and excellent communication skills. European language ability will be an advantage.

In line with all GE Capital businesses, CFI is an outstanding employer operating a truly global meritocracy. This role will lead to a significant leadership position within approximately 2 years.

To apply please post or fax a full CV, including salary details and quoting ref.183 to Alderwick Consulting at the address below. For more information, telephone (+44) 171 242 9191 (weekdays) or (+44) 181 467 1408 or (+44) 171 231 8272 (evenings and weekends).

Any CV sent direct to CFI will be forwarded to Alderwick Consulting Ltd.

** Not associated with the English company of similar name.*
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FINANCIAL CONTROLLER

Based Munich

Compaq Computer Corporation is the world's largest supplier of personal computers, offering desktop PCs, portable PCs and servers. Founded in 1982, the company reported sales of $14.8 billion in 1995. This role is within the Business Development Group which is the organisation responsible for developing new market opportunities in a region covering over 60 countries, primarily in Eastern Europe, areas of Southern Europe, Africa and the Middle East.

The position is responsible for providing leadership and management to a team providing financial forecasting, accounting and financial support functions. The Munich based team supports the local businesses either directly or, where established, through subsidiaries' organisations. Because of the diverse nature of the countries which make up this region with their wide cultural and legal differences, a major challenge is to fulfil corporate requirements whilst maximising suitability to local conditions.

Candidates should have a postgraduate financial qualification and significant management experience ideally gained in an international Controlling department. Experience of working for a US corporate in a developing region will be particularly valued. Fluency in English is essential with additional languages being beneficial.

This position is seen as being an excellent entry role into Compaq and one which will provide real career and skill advancement opportunities. The remuneration package will be geared to attract and reward a high calibre individual.

Please forward a comprehensive CV to our advising consultant Gary Stevenson at Kivington Saville & Partners Limited, Minerva House,
34 North Street, Rugby CV21 2AL,
UK. Tel: +44 (0)1788 541306. E-mail: 100431.1472 @ COMPUSERVE.COM
Fax: +44 (0)1788 552142.

COMPAQ

AREA CONTROLLER – EUROPE

Surrey **To £60,000 + car + benefits**

Our client is one of the world's largest privately owned manufacturers of consumer products, with a number of marketing and manufacturing locations throughout Europe. The company is now seeking an Area Controller for its European Regional Headquarters, located near London.

THE ROLE

Reporting to the Regional Director of Finance & IS, this role supports the direction and development of the finance function throughout Europe, providing financial insight into regional operations for the Executive Vice President – Europe. Responsibilities include: management of the budgeting and planning process throughout Europe; analysis of regional operating results and significant trends in performance; maintaining a close working relationship with corporate global headquarters in the U.S.; providing management data and analysis to regional operating groups; as well as leading and participating in a number of key business projects related to ongoing operations, including geographic expansion, acquisitions and new product development. This is an excellent opportunity to fast-track into a senior financial role in an operating environment.

THE CANDIDATE

Applicants should possess a financial/business qualification with at least five years commercial experience, preferably in a multinational environment. Ability to work independently on a broad range of business issues beyond a purely financial perspective, as well as excellent leadership, analytical and communication skills are key to this role's success. Individuals should be available to travel up to 20% and foreign language skills would be highly desirable.

For further information, please write with your CV to **Gary Johnson** at Douglas Llambias Associates PLC, 10 Bedford Street, London WC2E 9HE. Tel: 0171 420 8000.
Fax: 0171 379 4820.
E-mail: info@llambias.co.uk

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You will take overall responsibility for the general accounting and statutory reporting for over 30 legal entities in 10 countries, as well as manage treasury and accounts payable functions. This is a very high profile role where you will have the chance to establish centralised functions, lead controllership projects, develop new financial systems and support the integration and consolidation of acquisitions.

You should have between 8-13 years experience having ideally worked for one of the Big Six accounting firms and a multinational company. This should be matched with a degree in accounting or finance with fluency in English and at least one other European language. Statutory and multi-currency accounting experience are essential, as are project leadership skills, the ability to manage change and excellent communication skills.

The salary and corporate benefits (including full relocation package if necessary) on offer will reflect our status as a world leader. For the right individual opportunities for career progression are outstanding.

If you are interested, please telephone our advising consultant Ruth Almond on (+44) 1256 818811, or send your full cv, to CSA Management Consultants, Vickers Business Centre, Priestley Road, Basingstoke, Hampshire RG24 9NP or Fax (+44) 1256 566840.

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- It is essential that candidates should themselves be dynamic and energetic with excellent communication skills and the weight of personality to achieve results in a demanding business environment.
- The role is likely to appeal to a determined, ambitious individual who is keen to deliver highly visible improvements.

Please apply in writing quoting reference 1279
with full career and salary details to:
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Our client is a leading international investment bank which operates in more than 60 countries and employs more than 9,000 people. At the leading edge of banking and finance, its core activities include capital markets sales and trading, corporate banking, advisory services, asset management and securities services. Through its worldwide securities trading activities based in London, it is able to provide a comprehensive range of products and services in the primary and secondary bond and equity markets, currency and interest rate swaps and options, fixed income and equity derivative products and specialised instruments. In line with its commitment to maintaining a competitive edge through hiring the best calibre of people, it is now seeking to recruit two key individuals into the recently formed Internal Control group.

The development of the Internal Control group is a critical element in the bank's strategy to further improve the quality of support to and control over its securities trading, asset and liability management and stock lending businesses. Straddling all infrastructural groups including finance, operations, product control, market and credit risk, the role will focus on the review of existing systems, processes and procedures and subsequent recommendation and implementation of suitable measures to control all types of risk. It will look at the ways in which management information for trading activity is gathered, evaluated and expressed, and will highlight potential problem areas such as system feeds between risk, operations and accounting groups. Further responsibilities will include building strong relationships with colleagues in finance, operations and the front office and educating them in the application of control principles.

Candidates will be high calibre graduate accountants with a strong understanding of the control issues relating to securities trading. They will have proven auditing skills and the technical ability, numeracy and analytical skills to understand the products. They must possess the interpersonal skills needed to communicate effectively and establish credibility with senior management. They will be able to demonstrate initiative, creativity and a positive and enthusiastic approach. In addition to the demands of the current role, the bank can offer superb opportunities for career development.

Please write to Joe Thomas at BBM Selection, quoting Ref: 414 and enclosing a full CV that includes contact telephone numbers. All applications will be treated in the strictest confidence.

76, Watling Street,
London
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BBM SELECTION

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BURSAR
(FINANCE DIRECTOR)
Stonyhurst College

Stonyhurst College is a long-established, leading, independent Catholic boarding school, situated at the centre of its own large estate in scenic north Lancashire. Together with its adjacent preparatory school, St Mary's Hall, there are some 560 pupils generating a fee income in excess of £5m.

Following the retirement of the present Bursar, an ideal job opportunity arises for an energetic and versatile manager. Reporting directly to the Headmaster, the Bursar is responsible at the two schools for finance, procurement and business planning, as well as for the management of the facilities, of the estate, and of development projects.

Applicants for the position, who must have an accountancy qualification, should be efficient, "hands-on" administrators with a commercial orientation and a capacity for detail. They should also be able to demonstrate experience at a senior level of general and/or business management.

In the first instance please send full CV quoting ref no: 4450 to Stuart W J Adamson FCA at Adamson & Partners Ltd, 10 Lisbon Square, Leeds LS1 4LY. Fax: 0113 2420802.

Stonyhurst is an educational charity for RC purposes number 230165.

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Director of Finance
Caribbean

bhi

BHI Corporation, a public company listed on NASDAQ, operates and invests in selected growth industries in Central America and the Caribbean region. BHI's core business activities are banking and financial services, construction and property development. BHI also has strategic investments in regional growth industries including infrastructure and agro-processing and distribution.

Following the appointment of a new CEO, a comprehensive strategic review has been undertaken of BHI's activities. Arising from this, BHI now wishes to appoint a Director of Finance. The duties and responsibilities will initially combine the roles of a Director of Finance and Chief Accountant. The Director of Finance is accountable to the CEO and will work closely with the Corporation's Advisers.

As well as being a qualified Accountant, the successful applicant is likely to be 35-45 years of age, a Director of Finance in a small to medium sized publicly quoted company and will be able to demonstrate strong day-to-day financial, entrepreneurial, presentational and communicational skills, high energy levels and a hands-on approach. The office location is in southern Florida.

Comprehensive CVs should be sent by mail or fax to Mr R E Painter, who is advising the Company on the appointment, to: 100 West Hill, London SW15 2UT, England. Fax number (44) 181 875 9810.

Closing date: 9th December 1996.

Further information about the company and the appointment will be supplied to shortlisted applicants.

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Global Recruitment

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Perhaps it is because we work in the same way, that we deliver to some of the most exciting - and demanding - clients on a global basis. Our approach means that whilst we have offices in strategic locations around the globe, there are no boundaries between them. A London assignment which requires collaboration in Hong Kong and Beijing, with additional search work in Holland and France is not a problem for us - it's our bread and butter.

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Please write to Andrew Livesey, Country Manager with a full cv clearly stating current remuneration at: **Nicholson International, Bracton House, 34-36 High Holborn, London WC1V 6AS. Tel: +44 (0)171 404 5501, Fax: +44 (0)171 404 8128, email: ni@nicholsonintl.com**

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Join us, and you will have the opportunity to broaden your experience by working on a variety of business issues in many different sectors. You will be helping to develop strategies that will have a profound effect on clients' business performance. We aim to build long-term relationships with our clients, and recent examples of work undertaken by our consultants include:

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A consulting role at McKinsey will enable you to develop comprehensive business skills that will not only broaden your career options but also accelerate your progress. Based at our London or Dublin offices, you will enjoy top-level client access, working with highly motivated colleagues from many different backgrounds. McKinsey is a meritocracy where individuals receive full recognition for their efforts within a supportive, team-based environment.

We are keen to hear from high-calibre candidates whose excellent record of achievement includes:

- **a good honours degree (2.1 or better) from a leading university**
- **a professional accountancy qualification (with first-time passes at every stage)**
- **up to 5 years' PQE with a leading accounting practice or blue-chip business.**

You can find out more by calling David Craig or Brian Hamill, our advising consultants, on 0171 839 4444 for an informal discussion or to request an information pack. Alternatively, send your detailed cv (quoting ref: MCK1196) to Walker Hamill Executive Selection, 103-105 Jermyn Street, St James's, London SW1Y 6EE. Fax: 0171 839 5857. Email: exec.selection@walker-hamill.co.uk

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SUNRISE MEDICAL

Sunrise Medical are one of the largest specialist manufacturers of rehabilitation, recovery and respiratory products such as wheelchairs, scooters, stairlifts, beds, bathing aids, patients hoists and such related equipment. Incorporated in America, their UK base is in Stourbridge, West Midlands. Global turnover this year will be in the region of $730 million, with almost £100 million of this attributable to the UK market.

Management Accounting Controller

West Midlands c £35,000 + Car + Bonus + Bens

As part of a centralisation of operations, Sunrise are looking to recruit an individual supporting the Finance Director providing a quality site management accounting service, coordinating the activities of the individual business unit accountants and supplying support to the business unit directors.

The key responsibilities of the role will encompass coordination of business planning and budgeting activities, ensuring accuracy and integrity of all production and manufacturing related information including, cost of sales and stock records. In addition, you will be providing information for business unit profitability analysis and strategic decision making purposes whilst developing world class management accounting practices.

Suitable candidates will be CIMA qualified with at least two to five years PQE gained within a multi-product engineering/manufacturing environment. Ideally, you will have a sound academic background with a good degree and have gained experience in modern approaches such as modular manufacturing, JIT and KanBan, but at the very least possessing a knowledgeable understanding of such techniques.

Additionally strong PC skills are a pre-requisite with general exposure to systems development. Experience of MFG pro would be an advantage. Ref 319611

European Corporate Auditor

Up to 75% travel c £32-38,000 + Bonus + Bens

This position will report directly to Sunrise Medical Inc in the US, and forms part of the worldwide corporate audit team. The position will be based in the UK and ideally you will be in commuting distance of the UK factory at Stourbridge, however a limited amount of time will be spent at this site.

Reporting to the Corporate Audit Director, the tasks and responsibilities will include:-

- Financial and operational reviews including financial analysis.
- Evaluation of internal controls and special projects.
- Acting as the senior member of the European audit team.

The qualifications for this fast tracking, performance orientated finance professional, seeking accelerated career advancement are as follows:

- A university degree and professional qualification, ideally ACA or ACCA.
- In addition to several years experience within a top 10 practice you will have gained commercial exposure within industry either in a line, group or internal audit role.
- Some experience within manufacturing environments gained either in practice or commerce.
- PC literate with strong communication, written and interpersonal skills.
- Some knowledge of a second language would be a distinct advantage.

Flexibility exists within the role to create opportunities to work from a home base. Ref 321663

Interested applicants should send a curriculum vitae and covering letter, quoting appropriate reference number and stating current salary, to Adam Leon at Michael Page Finance, The Citadel, 190 Corporation Street, Birmingham B4 6QD.

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- Corporate law experience with a background in securities law and capital markets.
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- A self assured individual, able to act proactively.
- Capable of seeking input and support and working with a team of professionals.

Qualifications:

- Appropriate qualifications - UK or US based university of high standing.
- Experience as a regulator would be advantageous.

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(career entry level)

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West Africa – in particular Cameroon, Ghana and Nigeria – is one of our most important markets with a turnover of around £100 million.

Joining us at this senior career-entry level, and working closely with local management, you will manage and co-ordinate the effective operation of the West African Internal Audit Department, as well as ensuring that appropriate management control systems are established and maintained throughout the region.

Reporting to the Finance Director – Africa, your points of contact will be highly visible with senior members of the GBW management team – and so you must have the credibility and maturity to work at the highest levels. A graduate chartered accountant, probably in your early 30s, you will already be working at senior manager level within the profession, or in a senior internal audit role, and will have a commitment to achieving quality results. A strong element of self-motivation and organisation is essential, and any exposure to international audit work will be advantageous.

Career prospects are superb for the right person, and the full expatriate package includes at least two paid-for trips home per year.

Interested? Then post or fax your resumé (including current salary details and both daytime and evening telephone contact numbers) to our advising consultants, Chryssaphes Flamniger Associates, Bechtel House, 245 Hammersmith Road, London W6 8DR Fax: 0181 528 9878. Please quote reference 611/B on all correspondence, including envelopes. Alternatively, apply on-line via The Monster Board http://www.monster.co.uk

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FINANCE DIRECTOR

Oxfordshire **£45,000 + Exec. Car / Share Options**

Our client is a market leader in the manufacture of high-tech electronic components. The company is an OEM in a very competitive market place,supplying to major distributors in the Data Communications Sector. Established for over 10 years, the business has grown from strength to strength including its most successful period throughout the recession. As the business continues to expand across Europe, the turnover is set to double over the next 12 months; with flotation planned for Autumn 1997, the business has an estimated market capitalisation of £50m.

To facilitate this rapid and aggressive expansion, the Company is looking to make a key appointment at Board level. The Financial Director will be responsible for restructuring a finance function which has outgrown the initial controls and systems, following this period of growth. This is a Senior Executive role, where the individual will be actively involved in the management of the business during an exciting period of development for the Company leading to the SE listing later next year.

The person appointed will be a qualified accountant, aged 35-50 with excellent hands-on financial experience, together with more general, commercial exposure. A manufacturing background would be an advantage, however, the key attributes are a tenacious, pragmatic and knowledgeable approach, with the ability to work under pressure. Previous experience of taking a company to a flotation would be beneficial, however, more importance will be placed on the confidence and maturity to present to potential investors, financial institutions and customers leading up to their market listing.

The Directors are keen to appoint an experienced individual who will provide the skill, drive and initiative, together with installing financial controls which will produce timely and accurate management information to support the growth over the next five years.

If you would like to be considered for this role, please send a copy of a current curriculum vitae together with salary expectations, to:
Ms Kiran Makkar, Nigel Lynn Associates, Suite A, 6 Worcester Street, Gloucester Green, Oxford. OX1 2BA. Tel: 01865 202066 Fax: 01865 202033

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This is a cornerstone position within a well-resourced, highly professional accounting department. Rock solid experience in the financial services sector, with a correspondingly broad understanding of investment management and its accounting framework, is the principle requirement, and this should be based on well-rounded communication and staff leadership skills.

With contemporary flair

You will have wide-ranging influence on systems, policies and procedural reviews. Current IT awareness will be essential in contributing to the development of information management and reporting; while your knowledge of the intricacies of UK and non-UK tax and audit issues and implications must continue to keep pace with all the latest developments.

You must have the balanced diplomacy necessary to relate effectively in a multi-national environment and at all levels. Advanced technical expertise must also be matched by clarity of communication to a more general audience. Meanwhile your absolute integrity, credibility and incisive judgement will make you an invaluable asset to a small, but high-achieving team.

It is most unlikely that anything less than 10 years' post-qualification experience will have given you the required depth. If you are able to lend substance to ability, and believe that you have the degree of presence required to establish yourself in this role, you will enjoy a highly competitive package.

To apply, please write to David Hunter at the address below:

Executive Search & Selection,
Price Waterhouse Management Consulting Ltd.,
32 London Bridge Street,
London SE1 9SY.
Fax: 0171 378 0647.

Coopers & Lybrand | Executive Resourcing

Our client has acquired an enviable reputation as one of the country's leading specialist civil engineering and construction organisations. Operating in a highly competitive sector, the Group with a turnover now approaching £100m is seeking an experienced finance manager to strengthen its small cohesive management team and support its excellent potential for further development.

As a key member of that team you will be expected to make a significant contribution in driving forward business performance and managing the planning process. Priority will inevitably be to ensure tight financial control of all activities across the Group's diverse operations. Fundamental to this will be the need for firm cash management as well as developing and implementing systems capable of supporting and regulating a dynamic and ever evolving organisation.

The position will necessarily involve a degree of interface with the City and various financial institutions, and will require excellent front-line skills in representing the company to best advantage.

A graduate qualified accountant, you will have strong all round professional skills, ideally proven in a commercially strong, market-led contracting or construction organisation. A results and profit oriented individual, you must have a sound knowledge of modern integrated management information systems. You must also be equally capable of functioning at both a strategic level and in the detail necessary to challenge operational issues and control associated costs.

Please send full personal and career details, including current remuneration level and daytime telephone number, in confidence to Adrian Edgell, Coopers & Lybrand Executive Resourcing Limited, 9 Greyfriars Road, Reading RG1 1JG quoting reference AE934 on both envelope and letter.

Our client is a high profile Property Investment, Management & Development Group with a growing 'blue chip' tenant base. Properties in the Portfolio comprise office buildings, a retail centre, a conference and banqueting centre and car parking. Located in Central London, the operation is expanding rapidly and due to a re-organisation of the Finance Function 2 vacancies now exist. Both positions require candidates to be highly commercial, with a professional and flexible approach.

Financial Planning Accountant

c£40K + Bens

Reporting to the Group Financial Controller and responsible for business planning. This will include:

- Preparation of the annual budget.
- Preparation of financial projections together with long-term Business Plans.
- Assistant in running financial appraisals for future tenants, financings and capital expenditure decisions.
- Project-based assignments relating to all aspects of the finance function.

The ideal candidate will be ACA Qualified, with 2 to 3 years PQE in a similar role. Strong spreadsheet and interpersonal skills are essential.

Ref: DRS016

Financial Reporting Accountant

c£30K + Bens

Reporting to the Chief Accountant, and responsible for all external reporting for the Group. This will include:

- Preparation of quarterly reporting packs for the Group's lenders.
- Statutory accounts for all Group companies.
- Controlling all intercompany transactions (the Group has a complex corporate and leasing structure).
- Providing ad hoc assistance to the Chief Accountant and Group Financial Controller on acquisitions, disposals and other special projects.

The ideal candidate will be a recently qualified ACA, who has a commercial approach and who can use initiative in tackling complex accounting problems.

Ref: DRS017

Interested applicants for either of the above positions, should contact David Rooney, from Marks Sattin Financial Recruitment Consultants, on 0171 434 4455 (Fax 0171 355 4501), quoting the relevant Reference No, or alternatively submit their CV to the address below.

MARKS ◆ SATTIN

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Working as part of a highly focused team, key personal attributes will include:

- Strong analytical and planning skills
- A proven proactive approach combined with the drive to succeed
- First class communication and presentation skills
- An innovative approach to problem solving

You will be a qualified accountant with 2-3 years post qualified experience gained within an international finance environment. In return, our client offers unparalleled career development opportunities for your future, in state-of-the-art technologies.

To discuss this opportunity in total confidence please contact Ian Temple on 0171 405 4161. Alternatively send your CV to him at the address below.

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Ignoring the Americas (handled by another part of the team), Europe/Australasia means dealing with tax affairs for over 30 countries. We are talking about: post-acquisition review; managing and reviewing tax compliance; high level liaison with external advisers; reviewing and 'policing' a complex international tax structure; preparing and reviewing individual country plans; closely working witht the Treasury team; more acquisitions; transfer pricing; regular liaison with the USA tax team; . . . . the list goes on.

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The Head of Tax does all of the above and so will you; he's building a team and you will be No. 2 (he will set about recruiting No. 3 in the New Year); he travels 40% of his time and so will you; he's focused, driven, works long hours, thrives on complex tax and business challenges . . . . and so will you.

Let's talk about you . . . .
ACA; likely 'big 6' or commerce with a fair proportion of international tax work; recently promoted manager or 3 years post qualified experience; a spreadsheet junkie; robust; high energy levels; an underlying sense of humour that carries you through most crises in life; and a real passion for tax.

Let's talk
Call **Jane Braithwaite** on 0171 420 8000 (0973 381 969 out of hours) or write to her at Douglas Llambias Associates PLC, 10 Bedford Street, London WC2E 9HE (Fax 0171 379 4820). E-Mail: info@llambias.co.uk

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FINANCE DIRECTOR (DESIGNATE)

SILVERSTONE

Silverstone Holdings is a small, profitable and very ambitious company, manufacturing **Microwave Communications Systems**. It is a market leader in terms of technology and product range and has exceptional commercial opportunities. Turnover is planned to grow fivefold over the next three years.

To put itself in the position to achieve its objectives, it is now seeking to recruit into a new role, based in Milton Keynes, a young Finance Director (Designate). He/she will be fully responsible for all aspects of the Group's financial and related administration, and for ensuring that all the necessary infrastructures are in place, and ahead of the game.

To be considered, you must be a graduate qualified accountant in your late 20's or early 30's, with previous management experience in a high-tech manufacturing environment, and the personal and intellectual potential to promote rapid growth and change.

Terms will include a negotiable salary (to attract the best), bonus, car, removal expenses, etc. A future equity participation may be discussible.

CANDIDATES WHO FULFIL ALL THESE REQUIREMENTS SHOULD SEND A CURRICULUM VITAE, QUOTING REFERENCE 2831, TO SCI SELECTION, FINLAND HOUSE, 56 HAYMARKET, LONDON SW1Y 4RN. TELEPHONE 0171 930 6314. FAX: 0171 930 9539

SELECTION

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Grace is a global packaging and specialty chemicals company with leading edge technologies and worldwide sales which exceeded $3.6 billion in 1995.

Financial Controller

Based Cambridgeshire

£Neg + Car

This is an exceptional opportunity for a qualified ACA capable of providing dynamic, hands on leadership to our finance function during and after the imminent relocation of our UK headquarters from London to St Neots in Cambridgeshire.

You will have day to day responsibility for the management of a sophisticated, fully computerised function providing a highly professional service to our multi-site £100m turnover UK business. The system is integrated into a worldwide consolidation and you will be responsible for all treasury, cash flow, tax and statutory reporting both in the UK and to the USA.

This will prove to be a demanding role for an accomplished professional with at least five years relevant experience with a major international group which includes US operations.

Commercially astute, computer literate and with a high level of drive and commitment, you will be prepared to lead from the front – providing clear focus and direction to the function during a period of significant change.

You will merit a very competitive package and will have the ambition and ability to take full advantage of the career development opportunities we offer in the UK and internationally.

Please telephone for an application form or send CV to Mrs Janice Millar, Personnel Department, W R Grace Limited, Cromwell Road, St Neots, Cambridgeshire PE19 1QN. Tel: 01480 224010. Closing date: 5th December, 1996.

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As a young, dynamic individual working directly with the European Tax Manager, you will initially focus on value added taxes and additionally will be expected to work on a variety of direct European tax issues.

A qualified lawyer or accountant, you will possess a minimum of three years' international tax experience ideally gained in a commercial environment. A solid knowledge of European VAT should be complemented by a thorough understanding of one or more EU corporate tax systems. Fluency in English is essential and a knowledge of other European languages would be advantageous. Tenacity, mental toughness and ambition will provide you with exceptional career opportunities within this vibrant global Corporation.

Candidates interested in this outstanding opportunity should send/fax their CV (in English) to our advising consultants Jane Storie and Mark Pockele at FSS Europe, Charlotte House, 14 Windmill Street, London W1P 2DY, United Kingdom. Fax: 44 171 209 0001 or 44 171 813 9479. Tel: 44 171 209 1000. Quoting ref: F333.

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The Company

Our client was founded in the USA in 1908. They have the Number One position in their market in Western Europe and have achieved this for the last four consecutive years. They employ some 129,000 people in Europe alone and have a turnover in the region of US$150 billion worldwide. There corporate policy is to "invest where they do business".

The Position

Our client seek Information Technology audit specialists for their International Region based in Europe. They require high level knowledge in audit techniques with experience in the fundamental processes employed in the design and implementation of computer applications. You will be required to review, analyse and evaluate the adequacy of systems controls designed into installed computer systems, reviews are to include the user control infrastructure surrounding the systems.

The Requirements

- Proficiency in English, together with another European language.
- University graduate, preferably with a major in Business Administration or Computer Services.
- High level of knowledge in audit techniques with certification to CIA/CISA standards, or the equivalent, or, be in a postion to study for the certificate.

This is an excellent career opportunity for dynamic, ambitious professionals who are flexible, mobile and willing to travel 75% of the time, who also understand the importance of future career progression with a large multinational company.

Our client is expanding rapidly. If you wish to expand your knowledge with them, please call, send or fax your CV quoting reference number FT00073 to our advising consultant: Jane A. Davenport, International Division, Drax Dearman Associates Charlotte House, 14 Windmill Street, London W1P 2DY. Tel:44 171 419 0248. Fax: 44 171 813 4055 Email-jane@dearman.demon.co.uk.

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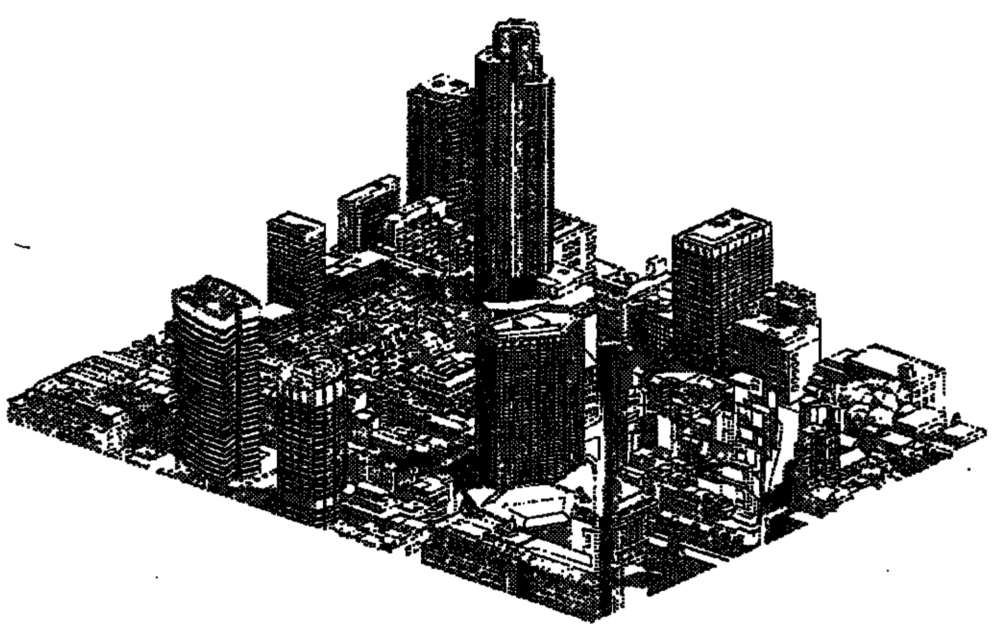

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JM MANAGEMENT SERVICES

INVESTMENT BANKING

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Top class Developers sought by pioneering US Investment Bank. Charged with the design and development of their Back Office Derivatives System, you will employ strong 'C' and Database programming skills to ensure timely delivery to the trading group. Excellent opportunities to develop your financial expertise and your technical skills. Migration to C++/Windows NT is imminent. cross-training to SYBASE is on offer.

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A new and highly successful Consultancy whose clients include a number of top Investment Banks seeks Business Analysts. Essentially you will need to have solid Investment Banking knowledge, as well as structured analysis and design techniques - ideally gained within a distributed database environment. These are opportunities to work at the forefront of Risk Management Systems development, not only in London but potentially across Europe.

CAPITAL MARKETS/CLIENT SERVER — £30k - £50k +bens

Business Consultants required to provide business and development expertise on RAD projects for the front and middle office of this world leading Investment Bank. Providing a pivotal role between business and I.T. you will obtain user requirements and develop systems utilising Client Server technology on a multi-platform architecture. It is imperative that the incumbents have a good understanding of Capital Markets and Client Server technology as this is very much a business and I.T. role. Excellent challenge.

DERIVATIVES STRUCTURING — £45k - £75k + bonus + bank bens

Highly numerate Financial Engineers required by this pre-eminent U.S. Investment Bank. Building mathematical models for the Fixed Income Business and 'engineering' derivatives products are the primary activities although opportunities to lead and build a quantitative research and development team are available. A good understanding of applying technology to complex issues is absolutely essential. Intelligent 'high' flyers only.

EQUITY DERIVATIVES — £45k - £60k + bonus + bank bens

An exceptional Analyst Developer is required for this global Investment Bank. Your product knowledge should include one of the following: Risk Management, Exotics, Equity Swaps, Structured Products and technical background - C/UNIX/SYBASE with an interest in C++/Delphi. You should also be a self-starter with the confidence to work in the hub of the trading floor and the ability to prioritise within strict timescales. Unlimited prospects.

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ARC International is working with the top Investment Banks. This is a selection of opportunities in the City. We have many more. Our consultants have an in-depth understanding of this market and how it can work best for you, so please call Jane Moore or Paul Wilkins on 0171-287 2525 to discuss your options. Alternatively please send, fax or e-mail your CV, with a covering letter, to us at: ARC International, Recruitment & Consultancy Services, 15-16 New Burlington Street, London W1X 1FF. E-mail arc@itjobs.co.uk Internet http://www.itjobs.co.uk

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Our client is one of the top twenty names in international investment banking. The manipulation of data is integral to the expansion of their business resulting in several demanding roles. These business critical positions will demand imaginative development of the next generation of PC based Risk Advisory services.

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You will need proven experience in the quantification of corporate risk exposure on any time scale, allowing these risks to be optimally managed by the design of appropriate hedging and asset/liability management strategies. The successful candidate will be totally responsible for the design and development of a modelling framework to support all functions required in Risk Advisory.

C Bond Analyst Programmers — salary to £60,000

Analyst Programmers will need total commitment and a minimum 12mths client server skills, previous experience in financial markets is required and any knowledge of Bonds is highly desirable. Candidates with some knowledge of C/C++, Excel, VB or 00 Analysis and design can be assured of truly dynamic career, where you can expect the rewards associated with a major force in global finance.

For an informal discussion about these exciting career challenges, please contact our city consultant Lisa Russell on 0171 419 2518 mobile 0956 891323 alternatively send your cv on disc or hard copy to Prime Selection, Prime House, 136 Kentish Town Road, London NW1 9QB. Fax 0171 813 6574 or e-mail on 100451.3674@COMPUSERVE.COM

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